The dramatic October 2003 recall election, in which film star Arnold Schwarzenegger was elected governor on a “pro-business,” Republican ticket, once again propelled California into the political limelight. It is still much too early to assess the meaning of this electoral earthquake, but thus far, at least, its impact has been far less sweeping than many initial forecasts suggested. The state legislature remains in Democratic hands, ensuring that the proverbial checks and balances in the system exert a strong moderating influence. Moreover, despite his penchant for fiery rhetoric, the indisputably popular new governor generally has trod the path of pragmatism and compromise (much to the chagrin of some of his supporters) as he tries to find his way through a morass of economic and policy problems. California’s budget woes present an especially formidable challenge, with no recovery in sight for the high-tech sector that fueled the state’s long economic boom in the 1990s. The new administration will also have to come to terms with a variety of broader economic policy dilemmas in the coming months and years.

Among those dilemmas is the unrelenting growth of inequality in the state and, especially, the continuing proliferation of low-wage jobs at the bottom of the labor market—a trend that, as previous issues of *The State of California Labor* have documented, is even more pronounced in California than it is in the United States as a whole. In this volume’s opening chapter, Carol Zabin, Arindrajit Dube, and Ken Jacobs document the hidden costs to the state’s taxpayers of the unrestrained growth of jobs that offer pay levels at or just above the state’s official minimum wage of $6.75 and that include few or no fringe benefits.

Many of California’s working poor today depend on subsidies from the state’s array of social safety net programs for their basic survival needs. As Zabin and her coauthors demonstrate, not only California’s unemployed and unemployable but also many workers who are employed in full-time jobs must regularly draw on public assistance programs simply to make ends meet. Indeed, in 2002 almost half (48%) of the state’s spending on public assistance to low-income families went to those with at least one full-time worker—in most cases a worker earning less than $8.00 an hour. Such low-wage jobs are by no means limited to sectors impacted by globalization: on the contrary, most are private sector retail and service jobs that are
largely immobile and thus insulated from international competition. In effect, this chapter argues, California taxpayers are subsidizing the state’s “low-road” corporate employers who pay substandard wages and who fail to provide health insurance and other benefits to their employees.

The first part of the volume also includes another analysis of the interaction of the state’s social support programs and inequality, although from a different perspective. Chapter 2 focuses on one of California’s most important recent legislative initiatives: the paid family leave law that was passed in 2002 and took effect in mid-2004. For over a decade the federal Family and Medical Leave Act (FMLA) has guaranteed job protection and unpaid leave for many workers in the United States who need to take time off from work to care for family members or to receive medical attention, but California is the first state in the nation to provide paid family leave to its workers.

In this chapter Ruth Milkman and Eileen Appelbaum review the developments leading to the establishment of this new program, which builds on California’s long-standing State Disability Insurance system and which offers a model that several other states around the country are considering emulating. The paid leave program covers virtually all private-sector workers (unlike the FMLA, which is restricted to relatively large employers), and thus should in principle provide universal coverage. As Milkman and Appelbaum’s analysis of recent survey data reveals, however, this universality is compromised by the fact that relatively few Californians—only about one in five—are aware that the new paid family leave program exists. Moreover, the chapter notes, workers with the most family-friendly employers are more likely to learn about the paid family leave law than are those who are employed by “low-road” companies and who are most in need of paid leave. The danger is that the benefits from the new program will go disproportionately to the state’s more privileged workers, many of whom already enjoy the functional equivalent of paid family leave via other employer-sponsored fringe benefits. If nothing is done to increase the visibility of the state’s much-celebrated paid family leave program among low-wage workers, immigrants, and others who need it most, the already entrenched inequality that is so deeply embedded in the state’s labor market and wider social organization will become characteristic of this arena as well, despite the fact that the clear intent of the law is to provide universal coverage.

Part 2 of the volume turns to the issue of job upgrading, specifically examining the ways in which unionization and political intervention can help transform low-wage jobs into positions that enable their occupants to earn a living wage and to gain a modicum of dignity. A case in point, dissected in the chapter by Candace Howes, is the recent history of one of the state’s rapidly growing occupations: home care. As Howes’s analysis demonstrates, home care has been extensively transformed in recent years through large-scale unionization and coalition-based political action, which have led to major improvements in wages and benefits. Apart from providing many home care workers with better pay, the upgrading of this occupation has also improved the quality of care that clients receive, since higher wages make for lower
Turnover. The improved working and living conditions that result benefit caregivers and those they serve alike. Howes’s empirical analysis is limited to this particular occupation, but it has obvious ramifications for low-wage employment generally, particularly in the burgeoning health care and personal services sector.

Part 2 also includes a chapter by Lisa Catanzarite that documents the ameliorative effects of unionization on low-wage workers from a more macroscopic perspective. Her analysis focuses on Latino males who are recent immigrants to the United States and the occupations in which they are especially concentrated. In earlier work Catanzarite has found that wage levels tend to be depressed in occupations that employ large numbers of recently arrived immigrant Latino males. The wage penalties affect not only the immigrants themselves but also their native-born co-workers in these impacted occupations. In Chapter 4 Catanzarite examines this phenomenon from a different angle, showing that these immigration-based wage penalties are significantly reduced by the presence of unionization.

Finally, in Part 3, Daniel J.B. Mitchell provides an assessment of labor relations in the state over the past year, reviewing such major events as the massive four-month southern California supermarket strike of 2003–04, as well as a variety of other important collective bargaining developments. This final chapter also includes an analysis of recent union membership trends and summary data on union contracts in California.

A great deal of invisible work goes into the making of a volume of this kind. Heartfelt thanks to Eileen Boris, Kate Bronfenbrenner, Janet Currie, Chris Erickson, David Fairris, and Roger Waldinger, as well as our editorial and advisory boards, for their assistance in critically reviewing the articles included in these pages. We also are indebted to the production staff at the University of California Press, and to Judy and John Waller of Scientific Illustrators. Most of all I want to express my appreciation of the many contributions of Rebecca Frazier, our managing editor, who once again effortlessly steered us through the many steps involved in the publication process and made it a highly pleasurable undertaking.

Ruth Milkman
August 2004
Over the past two decades, California’s “new economy” has produced an hourglass pattern of job distribution, fostering far more growth among high- and low-wage jobs than middle-income jobs (see Milkman and Dwyer 2002). A growing segment of Californians work year-round but earn too little to provide for their families. As a consequence, these families must often resort to publicly funded “safety net” programs to supplement their earnings and meet their basic needs. Increasingly, public assistance is becoming an ongoing wage supplement for low-wage workers, rather than assistance for those who find themselves unable to work or those transitioning to work from welfare or unemployment.

Working families are not the only ones who bear the burden of increasing numbers of low-wage jobs. Taxpayers also share the cost. This report focuses on an important outcome of the increase in low-wage work: the hidden costs for taxpayers when California’s working families must rely on public assistance to meet their basic needs. This study is the first to quantify, at a statewide level, the government outlays that occur as a result of low-wage jobs. The study thus informs the current debate about the “Walmartization” of the economy by assessing what happens when costs traditionally borne by employers are shifted to the public.

This report assesses the extent to which California’s working families participate in selected public assistance programs and estimates the cost incurred by the government to provide these benefits. Using data compiled from ten large statewide public assistance programs, we assess the costs of the programs for working families, documenting the distribution of costs by wage levels and hours worked. We also document the demographic and employment characteristics of working families that receive

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Means-tested public health and welfare programs provide much-needed support that helps poor families make ends meet. As has been well documented elsewhere, these programs are currently inadequate to fulfill the goal of lifting families out of poverty because of restrictive eligibility requirements and the long waiting lists for some programs (Boushey et al. 2003). As we will show, many families with full-time wage earners now qualify for and participate in these programs. It should be no surprise that some programs include significant numbers of working families, since the welfare reforms of the 1990s restructured many programs to encourage work. Nonetheless, welfare reform promised that full-time workers would no longer need safety net programs. There is now increasing concern that some of these programs, meant to provide temporary relief to low-skilled workers entering the workplace, have become permanent supports needed to supplement permanent low wages.

In fact, our current relatively low labor standards may encourage employers to take the “low road” by relying on public assistance programs to meet some of their labor costs. This can produce a vicious circle that places a continuous strain on public resources at the same time that it creates incentives for more and more firms to reduce compensation and shift these costs to the public.

Projections from California’s Employment Development Department indicate that if the state continues its current economic development path, the ranks of families who are working but unable to make ends meet will only increase (EDD 2004). Figure 1.1 shows the projected employment growth for the years 2000 through 2010, by various wage categories. The fastest growth is occurring in the jobs with the lowest wages: over a million new jobs will pay under $12 per hour, and another 450,000 will pay below $16. There is much less growth in the middle wage categories. In this context, systematically estimating the hidden public cost of supplementing the wage and benefit packages provided by low-wage employers is fundamental to discussions about economic policy in California.

**BACKGROUND AND METHODOLOGY**

This section describes the data set that we created to carry out our analysis and the public programs that we analyzed.

This report relies on two data sources: our compilation of administrative data on enrollment, costs, and eligibility requirements for public assistance programs in California (listed below), and Current Population Survey (CPS) data on the individuals

1. We calculated the growth in jobs in each wage category by matching current median occupational wages to the Employment Development Department’s projection of employment growth by occupation for its 533 occupation categories.
and families that participate in these programs. We compiled administrative data for 2002 for the ten public assistance programs for which there is data in the CPS. Administrative data were provided by the federal or state government (sources are listed by program in Appendix A). Individual and family data were compiled from the CPS Annual Demographic Survey (often referred to as the March CPS Supplement) for the years 2000 through 2002. The March Supplement asks respondents about receipts of cash and non-cash transfer payments during the past year and includes questions about the ten programs studied; it supplements the CPS’s regular detailed information on individuals and households. Our two data sources complement each other: Although the administrative data on program enrollment are more accurate than are the data drawn from the March Supplement, the administrative sources do not include detailed demographic and employment information on the

2. The March Supplement is currently the official source of estimates of income and poverty in the United States, and it has been widely used by economists to study wages, health coverage, and public programs. Although the Survey of Income and Program Participation (SIPP) has somewhat more detailed information on certain public assistance programs, it has a somewhat smaller sample size than the March Supplement, and the sample is not designed to be representative within states, therefore limiting our ability to produce reliable results. We checked our results for 2002 by using a three-year sample to increase the number of observations; there was very little difference in the results between the larger and smaller data sets.

Figure 1.1. Projected Employment Growth in California, by Wage Category, 2000–2010


Note: The EDD data comprise 583 detailed occupations.
individuals and families enrolled. Moreover, the CPS cannot be used alone because it does not have information on overall program costs and because overall program enrollment is measured less precisely in the CPS than in the administrative data.3

Combining the two data sets for analysis required two main adjustments (explained in detail in Appendix B). First, because there is a disparity between the enrollment data from administrative sources and the CPS (CPS data contain an undercount in enrollment for most programs), we made an adjustment in the CPS enrollment data to reflect the aggregate enrollment in the administrative figures. This adjustment consists of changing the weights assigned to each CPS observation to reflect the undercount (or overcount) in the CPS data relative to the administrative data. Since each individual is already assigned a weight that estimates the proportion of similar individuals in the total population, the adjustment is a simple multiplication of this weight by the ratio of the number of enrollees from the administrative data to the number of enrollees estimated from the CPS. This ensures that the CPS-based analysis produces an aggregate enrollment that matches the administrative data. When non-enrollees are used in the analysis (for example, in our simulations), their weights are reduced to make sure the total state population is the same as the original CPS figure. Second, we used the administrative data to calculate the costs per enrollee, but we included an adjustment that reflects the fact that benefit amounts are likely to differ between working families and families with no year-round workers. Thus, for each program and for each family type we adjusted individual CPS benefits to conform to the ratio of average administrative benefit level to average CPS benefit level.

For the analysis of the costs of public programs that accrue to working families, we use a specific definition of a working family that corresponds to the definitions used to determine eligibility for the programs under study. The “health insurance unit,” used for Medi-Cal, and “taxpaying unit,” used for the Earned Income Tax Credit (EITC) program, are two such examples.4 Since our definition is similar to

3. The CPS does include some self-reported values of cash transfers (for example, for CalWORKs and the Earned Income Tax Credit) and the estimated “fungible” values of some non-cash payments (such as for Medicaid), but these are an unreliable measure of how much the benefits are costing taxpayers overall.

4. The CPS defines a “family” as two or more individuals related by birth or marriage—a fairly broad definition. Based on this definition, one could determine whether a person receiving public assistance has a family member who is working and subsequently estimate what fraction of public assistance recipients are “working family members.” This definition of a family member is conceptually problematic, however, since it does not correspond well to the definitions utilized by most public assistance programs, including Medi-Cal and EITC. The latter use a much narrower definition to establish who qualifies as a family member, which is one of the criteria used to determine family income, which in turn guides program eligibility. For instance, for the ten programs we studied, an unemployed man living with his employed sister would not have his sister’s income counted toward “family income.” Therefore, if he receives public assistance he would be considered a “working family member” under the CPS definition of family. This is misleading since no family member considered for program eligibility is actually
that of a nuclear family, extended family households that include adult siblings or
other extended family members are considered to be multiple families.

We define an individual to be a working family member if one of the following
conditions are met: (1) the individual is working; (2) his or her spouse is working; (3)
the individual is under eighteen and at least one of his or her parents is working; or
(4) the individual is under twenty-two, is a full-time student, and at least one of
his or her parents is working. A working family is a family composed of such indi-
viduals; families with no year-round workers constitute all other families. Under our
definition a working family has a maximum of two adult earners since other workers
in the household are considered to be part of another family.

We make an additional restriction in our definition of working families to set a
clear standard for worker’s employment throughout the year. An individual is con-
sidered to be “working” if he or she is presently employed and he or she worked for
at least forty-five weeks in the past year.5 If individuals are presently employed but
have worked less than forty-five weeks in the past year, or if they are presently not
employed even though they have worked between one and fifty-one weeks in the
past year, they might best be considered “under-employed” and are part of the “fam-
ilies with no year-round workers” category.

**Public Assistance Programs in California**

California, like other states, has a wide variety of public assistance programs
funded by federal, state, and local governments. Each program has a unique purpose
and specific eligibility requirements. For this study we examine programs that pro-
vide cash or other assistance to supplement the income or reduce the expenditures of
poor families that reside in California. We focus on the means-tested programs that
are available to individuals or families specifically because they have low incomes
(whether or not they are employed). For this reason we exclude programs that offer
benefits to those who are retired or disabled and thus are usually not part of the labor
force. We also exclude programs designed to increase the skills and thus the future

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5. This avoids a problem arising from the timeframe of the CPS. Although most of the CPS ques-
tions regarding public assistance concern receipt over the past year, most questions regarding
details about their employment refer to current labor force participation. Considering only
current work status is problematic. It may be that a person was unemployed for eleven months
over the past year, during which time she or he received public transfers, but she or he is currently
employed and not receiving such transfers. Categorizing that person as a “working family”
enrollee in a public program is thus misleading. Since respondents are asked about the number of
weeks they worked over the past year, restricting our definition of “working” to those who worked
forty-five weeks of the year assures that the family received benefits while one member was in fact
working.
earning power of workers, such as programs that only provide subsidies for training and education.

We include both the traditional safety net programs such as the Food Stamp Program and those that arose as a result of welfare reform and are designed to encourage work, such as Temporary Assistance to Needy Families (TANF), commonly known as Welfare-to-Work. We also include the EITC, designed to serve only those who work, because it is not only directly affected by wage levels but also one of the largest government public assistance programs that supplements the income of poor families.

We examine only income support programs for California residents that are represented in both of our two main data sources. Local programs such as General Assistance, county children's health programs, and health care programs for indigents are significant taxpayer-funded programs that we were unable to include because the necessary data are not available. Thus, our estimates of taxpayer costs from inadequate wages and employer benefits are lower than the true magnitude of these costs. Our estimate of the subsidies that currently support working families in California is, therefore, quite conservative.

We analyze ten programs in this study (more program details, including eligibility guidelines, are provided in Appendix A).

_The Earned Income Tax Credit (EITC)_ is a refundable federal tax credit for eligible individuals and families that work and had an earned income under $33,692 ($34,692 for married individuals who file jointly) in 2003. The EITC reduces the amount of tax a worker owes, and it may result in a refund.

_CalWORKs_ is California's version of Temporary Assistance to Needy Families (TANF), which gives cash aid and services to eligible needy California families.

_The Low Income Home Energy Assistance Program (LIHEAP)_ is a federally funded block grant that provides eligible low-income persons with financial assistance to offset costs of heating and cooling their dwellings and of weatherizing their dwellings to make them more energy efficient.

_The Section 8 Rental Voucher Program_ is a federal program that increases affordable housing choices for very-low-income households through a subsidy that allows families to choose privately owned rental housing.

_Child Care Assistance_ refers to a comprehensive array of state programs designed to meet the needs of a variety of parents and children.

_Medi-Cal_ is California's Medicaid health insurance program. Supported by federal and state taxes, it pays for a variety of medical services for children and adults with limited income and resources. (For the purpose of this report, we consider only Medi-Cal enrollees who are not disabled or elderly, since the vast majority of these enrollees are not labor force participants.)

_The Healthy Families Program_ (California's name for the State Child Health Insurance Program, or SCHIP) is a state- and federally funded health insurance program for children (up to the age of nineteen) in families with incomes that exceed the Medi-Cal eligibility threshold, provided that these children were without employer-sponsored health insurance in the last three months.
The Special Supplemental Nutrition Program for Women, Infants, and Children—better known as WIC—serves to safeguard the health of low-income women, infants, and children up to age five who are determined to be at “nutrition risk” by a health professional. The program provides nutrition, information on healthy eating, and referrals to health care.

The Food Stamp Program serves as the first line of defense against hunger, as it enables low-income families to buy food with coupons and Electronic Benefits Transfer (EBT) cards.

The National School Lunch Program is a federally assisted meal program operating in many public and nonprofit private schools and residential child care institutions.

According to our compilation of government administrative data, California residents received a total of $21.2 billion dollars of public assistance through these ten programs in 2002. Figures 1.2–1.4 provide the enrollment and aggregate costs for

6. We did not include any administrative expenses in estimating program costs. Since we are fundamentally interested in estimating how much taxpayer expenses would fall if enrollment falls, it is prudent to not include expenses that have to be paid regardless of the number of enrollees (that is, “fixed costs”). Since in reality administrative expenses are only partly “fixed,” our cost estimates are conservative in the sense that they understate how much costs would fall if current enrollees received better wages and benefits.
Figure 1.3. Total Cost of Public Assistance in California, by Program, 2002
Source: Administrative data (see Appendix B).

Figure 1.4. Average Cost per Beneficiary of Public Assistance in California, by Program, 2002
Source: Administrative data (see Appendix B).
each of these public assistance programs. Administrative data are reported by individual for all programs except the Section 8 Rental Voucher Program (hereafter referred to as “Rental Assistance”) and LIHEAP (hereafter referred to as “Energy Assistance”), which document information by family.

Of these ten programs, Medi-Cal, EITC, and CalWORKs are the most expensive. Medi-Cal’s cost reflects both a large number of enrollees and a high cost per enrollee. Cost per beneficiary is highest for Child Care Assistance, CalWORKs, and Medi-Cal. In contrast, the National School Lunch Program has over 2.5 million participants, but its costs are relatively low. The same pattern holds for the WIC and Food Stamp Programs.

PUBLIC ASSISTANCE TO WORKING FAMILIES

This section analyzes the proportion of “enrolled families” or “recipient families” that are working families. For this analysis we define a “recipient family” or an “enrolled family” to be one that receives assistance through at least one of the ten programs. As stated earlier, working families are defined as those in which at least one member worked forty-five weeks or more in 2002.

Our analysis shows that 53% of the families that received benefits from at least one of the ten programs under study qualified as working families, as shown in Figure 1.5. In other words, individuals in 53% of families that received public assistance from at least one of the ten programs under study either worked for the entire year or had a spouse or a parent who did so. This sharply contrasts with the conven-
tional wisdom that public assistance serves mainly as a safety net for those who cannot work or who are unable to find work.

Figure 1.6 compares the number of working families to all families enrolled in each program (the numbers of enrollees differ from those in Figures 1.2–1.4 because Figure 1.6 uses data on families while the other three figures use data on individuals). Proportions differ substantially by program. For example, 1.46 million out of a total of 2.26 million families (65%) that utilize EITC had at least one member who worked throughout the year; for School Lunch, .8 million out of 1.25 million families (64%) were working families, and for Healthy Families, .22 million out of .29 million (76%) were working families. On the other hand, working families comprised less than 27% of all enrollees in Energy Assistance (.06 out of .19 million), Rental Assistance (.08 out of .30 million), and CalWORKs (.13 out of .48 million). This is to be expected because the income eligibility criteria for the former set of

7. Our data show that some families who receive EITC are not working families, even though only families with a member who worked at least part of the year are eligible. This may seem anomalous, since EITC only accrues from earned income. These recipient families, however, only have members who worked for less than forty-five weeks out of the year. In this case the family may qualify for EITC, but it is not considered to be a working family by our definition (which requires that at least one family member worked forty-five weeks during 2002).
**Figure 1.7.** Share of Total Public Assistance Expenditures to Families in California, 2002

*Source:* Combined administrative and CPS data (see Appendix B).

Programs are less restrictive than those for the latter. Since families with a working person are likely to have higher incomes than those that do not, we expect to find them concentrated in programs with less restrictive eligibility criteria.

EITC had the largest number of enrolled families, followed by Medi-Cal and School Lunch. This ranking held regardless of family work status. Furthermore, the three smallest programs for both types of families were Child Care Assistance, Rental Assistance, and Energy Assistance. In other words, although the proportion of working families varied substantially by program, the same programs that enrolled the greatest or the fewest people for one type of family also did so for the other.

Figure 1.7 illustrates the cost (rather than the number of enrolled families) of public assistance for working families and families with no year-round workers. In 2002 California residents received approximately $21.2 billion in public assistance from the ten programs under study. This is the cost to taxpayers (excluding the fixed administrative costs of the programs) from state and federal expenditures. Notably, 48% of this sum, or $10.11 billion, went to working families. While working families’ share of the cost was somewhat lower than their share of enrollment (53%, as noted earlier), they nevertheless received nearly half of all public assistance.

Figure 1.8 illustrates the cost of each program separately, for working families and for all recipients. Here, too, we find substantial variation among different programs, mirroring the variation in enrollment. Working families’ share of costs was greatest for Healthy Families, EITC, and School Lunch, and it was lowest for Rental Assistance, CalWORKs, and Energy Assistance. In terms of absolute numbers, Medi-Cal and EITC accounted for the largest portion of public assistance costs for working families.

Medi-Cal, Healthy Families, and Child Care Assistance are more expensive than
is suggested by enrollment numbers, as the cost per family in these programs is higher than average.

**DEMOGRAPHIC CHARACTERISTICS**

This section analyzes the income and demographic characteristics of California’s working families that received benefits from the ten public assistance programs under study. We analyze the family structure, ethnicity, and educational levels of working families and their members; we also examine how families receiving assistance are distributed across the state.

The structure of working families receiving public assistance differed significantly from that of all public assistance recipient families considered together. A comparison of Figures 1.9 and 1.10 shows that the working families enrolled in these programs were substantially more likely to contain two parents (48%, versus 35% of all recipient families). In addition, working families were less likely to be without chil-
One-Parent Families
29%

Two-Parent Families
48%

Individuals and Families with No Children
23%

Figure 1.9. Structure of Working Families Receiving Public Assistance in California, 2002
Source: Combined administrative and CPS data (see Appendix B).

Two-Parent Families
35%

Individuals and Families with No Children
37%

One-Parent Families
28%

Figure 1.10. Structure of All Families Receiving Public Assistance in California, 2002
Source: Combined administrative and CPS data (see Appendix B).
dren (23% versus 37%). This bias toward families with children is, of course, partly a function of the fact that some programs, like Healthy Families and Child Care Assistance, are available only to families with children.

The ethnic composition of working families receiving assistance is shown in Figure 1.11. Latinos made up 59% of all public assistance recipients in California in 2002; Whites accounted for 23%, Asians and Pacific Islanders for 9%, African Americans for 6%, and Native Americans for 1% of all recipients. The proportion of Latinos in the pool of public assistance recipients was actually slightly lower than their proportion (61%) among all families that earned less than 250% of the federal poverty income guideline.8

Adults in families receiving public assistance had less education than did adults in the general population, as shown in Figure 1.12. Only 63% of adults in working families receiving public assistance finished high school, compared to 85% of all adults in California. Even more striking, only 9% of adults in working families receiving public assistance had a college degree, compared to 29% of all adults.

The geographic spread of public assistance recipients corresponded roughly to the geographic spread of population and poverty in the state, as shown in Figure 1.13. Over half, 1.94 million, of all recipient families were in the greater Los Angeles area (Los Angeles, Riverside, and Orange Counties), while .52 million, or about 14%, were in the nine-county San Francisco Bay Area. Working families in the Los Angeles area and the Bay Area together made up over half (2.01 million) the total number of public

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8. Two hundred and fifty percent of the federal poverty income guideline reflects a more accurate average measure of the income a family needs to be self-sufficient in California than does the guideline itself, and this figure is used in this document as needed. See NEDLC 2004.
FIGURE 1.12. Education Level of Adults in Working Families Receiving Public Assistance and All Adults in California, 2002

**Source:** Combined administrative and CPS data (see Appendix B).

FIGURE 1.13. Enrollment of Families Receiving Public Assistance in California, by Location, 2002

**Source:** Combined administrative and CPS data (see Appendix B).

**Note:** FPL = Federal Poverty Level.
assistance recipients. The number of working families and families with no year-round workers was much smaller in the Bay Area than in the Los Angeles area, not only because the former has a smaller population but also because it has a smaller proportion of families that earn less than 250% of the federal poverty income guideline. Overall then, because Bay Area residents are less poor, they were somewhat less likely than were residents in other parts of the state to receive public assistance. Over half, .29 million, of Bay Area public assistance recipients were in working families. We should be cautious to draw too much inference from this geographic pattern, as the CPS data at the sub-state level are less reliable than are data for the whole state.

INCOME, EMPLOYMENT, AND INDUSTRY CHARACTERISTICS

This section first documents the income that working families receiving public assistance earn and the contribution that public assistance makes. It then provides a profile of the types of businesses that employ workers from families that receive public assistance. We document the industries in which these workers are employed and the quantity of public resources flowing to those workers, and we estimate the distribution of employees by firm size as well. Finally, we document workers’ wages and hours worked. In this section we use data on program enrollment and on program cost.

Family Income, Public Assistance Contribution, and Self-Sufficiency

Public assistance provides essential support to the millions of working families who are able to enroll in programs for which they are eligible; many programs have long waiting lists and have to turn eligible families away. Even with public assistance, however, many working families are unable to attain income levels that meet their basic needs.9 Figure 1.14 shows the income that families receive from their own earnings, the contribution they receive from public assistance, and the self-sufficiency gap—the income still needed to bring working families to self-sufficiency.10

Using the example of families with one adult and one child, the figure shows that the average family income in California in 2002 was $24,800. On average, these fam-

9. As a measure of the income levels that families need to meet their basic needs, we use the county level “self-sufficiency” income levels developed for the National Economic Development and Law Center (Pearce and Cassidy 2003). The federal poverty income guideline has been discredited as an accurate measure of the income needed to meet basic needs, as it ignores regional variations in living costs and has a host of other problems. See Pearce and Cassidy 2003 for a discussion of the accuracy of different measures.

10. The figure uses CPS data on income and public assistance for working families and the county-level self-sufficiency standards for twenty-four family types. We report income, public assistance, and the self-sufficiency gap for three broad family types by computing a weighted average across counties and the more detailed family types.
families received $4,700 in benefits from the ten programs we studied. This brought them close to self-sufficiency, but there was still an average gap of $2,600 between their incomes and the self-sufficiency standard. Working families with one adult and two children faced an even larger average shortfall of $5,500. Public assistance brought working families closer to self-sufficiency, but the gap that remains demonstrates that even with vital public support families are not able to meet their basic needs.

**Industry and Firm Characteristics**

Figure 1.15 shows the ten industries that employed the greatest number of workers in families receiving public assistance. Retail trade is the clear frontrunner, employing 576,000 workers, or, as Figure 1.16 shows, about 22% of all enrollees. Other large concentrations of these workers were in business and repair services, construction, and nondurable manufacturing.

11. The self-sufficiency standard was calculated for each county based on the cost of living in that county, and the gap was calculated as the difference between that standard and average working family income in that county. County gaps were then aggregated to the state level.
12. Business and repair services include both high-end professional services such as IT consulting and low-end services such as janitorial and security services.
Program enrollees were disproportionately concentrated in some sectors, as shown in Figure 1.16. Workers in families receiving public assistance were substantially more likely to be employed in the retail sector than were workers as a whole. Other sectors with disproportionate numbers of program enrollees included agriculture, nondurable goods manufacturing, social services, private household services, and personal services.

Our findings show that the bulk of workers receiving public assistance are employed in sectors that do not face significant international or even out-of-state competition, reflecting the distribution of low-wage work in the economy at large. Workers employed in the sectors that are more likely to face some out-of-state or international competition collectively received about $2.9 billion of public assistance benefits, whereas those in the sectors that face little out-of-state or international competition received about $7.2 billion.  

Figure 1.17 shows the annual total cost of the public assistance that workers

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13. To calculate the sectors facing some out-of-state or international competition we used a very broad classification of “tradable” sectors: durable and nondurable manufacturing; finance, insurance, and real estate (FIRE); hospitality and entertainment; and other professional services and agriculture. Sectors facing little out-of-state competition were construction, transportation, government, trade, and a variety of service sectors.
Figure 1.16. Percentage of All Workers and Workers Receiving Public Assistance in California, by Industry, 2002

Source: Combined administrative and CPS data (see Appendix B).
Figure 1.17. Annual Amount of Public Assistance to Working Families in California, by Industry, 2002

Source: Combined administrative and CPS data (see Appendix B).
received in California, aggregated by industry. The importance of the retail sector is again apparent: workers in this industry received more than $2 billion in taxpayer-funded public assistance in 2002, over twice that of any other sector. Other important sectors include business and repair services, whose workforce received about $850 million in public assistance, and construction, which received over $700 million in public assistance.

Figure 1.18 shows the distribution by program of public expenditures on benefits to workers in the retail industry. EITC and Medi-Cal furnished 70% of the assistance for workers in retail. In comparison, EITC and Medi-Cal accounted for approximately 57% of the ten program costs for all working families.

Figure 1.19 shows the number of employees from families receiving public assistance, distributed by the size of the firms in which they worked. These workers were concentrated in very small and very large businesses. It is notable that almost 700,000 workers—over 25% of these recipients—worked at firms with more than 1,000 employees. Figure 1.20 compares the percentage of these workers with all

14. When a family had members working in different industries, we allocated its total public assistance to its workers proportionate to each worker’s hours. Then we aggregated this per-worker value by industry.
Figure 1.19. Number of Employees Receiving Public Assistance in California, by Firm Size, 2002.
Source: Combined administrative and CPS data (see Appendix B).

Figure 1.20. Percentage of Employees Receiving Public Assistance in California, by Firm Size, 2002.
Source: Combined administrative and CPS data (see Appendix B).
workers in each category of firm size. Public subsidy recipients were disproportionately concentrated in smaller firms.

**Hours and Wages**

Working families that participate in public assistance programs meet the means-tested eligibility requirements because their members either work but earn low wages or work few hours (or a combination of both). In addition, since income requirements differ by family size, the more dependents a family has, the more assistance they may qualify for at any given level of income. This section assesses the importance of each of these factors in the distribution of the $10.1 billion of public assistance payments made to working families in California.

Figure 1.21 shows the number of workers from families receiving public assistance, distributed by wage level. The largest number earned $8.00 per hour (not much more than the current minimum wage of $6.75 per hour) or less.

Figure 1.22 shows the cost of public assistance received by working families, distributed by the wage level of the family members who worked in 2002. Families with workers earning $8.00 per hour or less received by far the largest portion of public assistance payments, totaling $5.72 billion. The correlation between public assistance and wage level is clear: most of the workers in families that receive public assistance also fall into the lowest wage category.

Next we address the question of whether these workers are employed part time or full time. For the sake of clarity, we distinguish between families with one earner and

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15. In multi-earner families, wage levels were calculated as the weighted average (by hours worked) of the wages received by all wage earners.
families with two earners, since the number of hours they can potentially work differs. Figures 1.23 and 1.24 show expenditures for public assistance, distributed by the number of hours worked per week for single- and for dual-earner families. For both types, the greatest proportion of benefits went to families in which earners worked full time (at least thirty-four hours a week for single earners, and seventy hours for dual earners). For single-earner families, $1.81 billion of assistance went to families in which earners worked less than full time. For dual-earner families, only $0.04 billion went to families whose workers together worked less than the equivalent of one full-time job, and $1.31 billion went to families whose two workers together worked seventy hours or more, the equivalent of two full-time jobs. When single- and dual-earner families are aggregated, $8.07 billion, or 81%, of public assistance benefits went to families with the equivalent of at least one full-time job. Moreover, $7.44 billion, or 75%, went to single-earner families with over thirty-four hours of work per week plus dual-earner families with seventy hours or more of work per week.

**SIMULATING ALTERNATIVE LABOR MARKET STANDARDS**

To get a clearer idea of what might reduce working families’ reliance on public assistance, we simulate the impact of five labor market standards (LMS). The first four are

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16. This discussion addresses the issue of part-time employment, but not labor force participation. Our calculation of average family work hours does not include all adults, but rather only those adults that work.
**Figure 1.23.** Public Assistance Receipts for Single-Earner Families in California, by Hours Worked, 2002

Source: Combined administrative and CPS data (see Appendix B).

**Figure 1.24.** Public Assistance Receipts for Dual-Earner Families in California, by Hours Worked, 2002

Source: Combined administrative and CPS data (see Appendix B).
wage standards of $8, $10, $12, and $14 per hour. The fifth is an employer-sponsored health insurance mandate (ESI); this analysis simulates a scenario in which all employers provide their employees with affordable family health coverage.17

We predict public assistance receipts under these LMS scenarios by utilizing a regression model.18 This model allows us to compare how public assistance values vary as we change wages or benefits, adjusting for differences in family structures, demographic and geographic factors, and hours of work. For this exercise we assume that the number of hours worked is the same for all individuals—in other words, we assume that there will be no changes in labor supply or demand as a consequence of the LMS. We do not mean to suggest that imposing, say, a minimum wage of $14 per hour would have no other impact on the labor market; rather, these simulations suggest the changes that would be needed to make a dent in the current reliance of working families on assistance programs.

We find that working families’ receipts of public assistance would fall from $10.1 billion to $7.43, $6.29, $5.15, and $4.55 billion for wage standards of $8, $10, $12, and $14 per hour, respectively, as shown in Figure 1.25. As suggested by our earlier tabulation of transfers by wage and hour categories, there is a substantial drop (nearly $2.7 billion) in public assistance payments when wages are brought up from the current minimum wage to $8 per hour. Consistent with our earlier findings, a movement to $14 per hour reduces transfers by nearly 5.6 billion dollars. In other words, although upgrading minimum-wage jobs to $8 or $9 per hour substantially reduces working families’ reliance on public assistance, given the structure of families, creation of and access to “middle-income” jobs (for example, those paying $14 per hour and above) is needed as well. Conversely, replacing jobs paying $14 per hour with those paying $8 per hour is likely to prove costly not only to working families but also to taxpayers at large.

17. We do not assume that all current enrollees for Medi-Cal and Healthy Families who are working family members will stop taking up public health with the ESI mandate. We allow take-up of “wrap-around” public coverage as it empirically occurs for similar families who currently enroll in employer-provided family health coverage.

18. The regression utilizes data from 2000 through 2002, but predictions are made only for 2002. We ran separate regressions for each program. For each regression the outcome variable is total current public assistance received. Since the outcome variable is censored at zero, we use a censored normal regression model. The key independent variables are twenty-eight categories of family wages and hours interaction and ESI. Control variables are family structure, family size, number of children below six years of age, race composition, gender composition, age composition of adults, income other than earnings and public assistance, presence of disabled individuals in the family, year variables, and county of residence. After estimating the model, we simulated public savings under alternative LMSs by changing workers’ wages while holding constant their hours of work. Finally we aggregated over all ten programs. By considering the twenty-eight categories of wages and hours interaction, and by considering each program separately, we allow for a varied impact of wages on public assistance for each program and family work configuration.
Figure 1.25 also illustrates, for each simulated wage level, the decline in public assistance if employers were to provide affordable health insurance. We find that with a mandated ESI, public assistance to working families would fall by $2.2 billion without any additional wage standards, $2.02 billion with a wage standard of $8 per hour, and so on. This drop in payments occurs because the costs of Medi-Cal and Healthy Families would be reduced substantially. The savings from an ESI mandate decline when wages increase because both wage and benefit standards can reduce public health enrollment—the former through reducing eligibility and the latter through reducing take-up (the number of workers who enroll).

Figure 1.26 shows the predicted reduction in public assistance with a wage floor of $14 per hour for each of the ten programs under study. Decreases in program payments range from a greater than 30% reduction in School Lunch costs to an almost 80% reduction in Rental Assistance.

This simulation assumes that there would be no employment loss resulting from an increase in wages and, thus, no increase in the number of families participating in programs as a consequence of this employment loss. In fact, most studies show that little or no employment loss has resulted from minimum wage increases in the United States (see Bernstein and Schmidt 1998; Brown 1999; Card and Krueger 1995). In California a number of studies have shown no negative employment effect from increases in the minimum wage in recent years, for increases comparable, in percentage terms, to the increase from the current minimum wage of $6.75 per hour to an $8.00 per hour standard (Card 1992; Reich and Hall 2001; Woods 2002). Even with
very pessimistic assumptions about the employment loss resulting from a wage standard and very generous assumptions about the amount of public assistance that would go to the potential newly unemployed families, we calculate that the savings that would incur from reduced public assistance for workers earning at least $8.00 per hour would be much greater than the additional cost of public assistance to these potentially newly unemployed families.

The following calculations establish an outer limit for the possible effect of a wage mandate on employment and hence on public assistance payments. First, we calculate potential employment loss by using the most pessimistic estimate of the negative employment effect of a wage mandate, provided by Neumark, Schweitzer, and Wascher (1999), vocal critics of minimum wage increases. They suggest that a 10% increase in wages causes about a 1% reduction in employment (i.e., an elasticity of −0.1). According to the CPS, 2.4 million California workers earned $8 an hour or less in 2002. If these workers all earned the minimum wage of $6.75 an hour and received a full $1.25 an hour raise and worked 40 hours a week, wages would increase 18.5% ($1.25 ÷ $6.75) for this set of workers. The elasticity estimate of −0.1 implies that 44,400 workers may lose work because of the wage mandate (2.4 million × 10% × 18.5%).

Second, we calculate the increase in public assistance payments to those families who have, in this exercise, lost their jobs because of an $8.00 wage mandate. Those
losing work might receive the public assistance payments we identified as well as unemployment insurance (UI) benefits. Although less than 45% of unemployed workers actually qualify for UI, and take-up of other public assistance is substantially less than 100%, we will assume all newly unemployed workers will qualify for and will enroll in UI as well as other public assistance. The CPS shows that for non-working families that receive both UI and public assistance benefits, total annual receipts of UI plus public assistance amount to $12,100 per year for those at the seventy-fifth percentile of the distribution of these families. This produces an annual increase in public assistance (including UI) of around $538 million ($44,400 $12,100). 19

When we compare the cost of employment loss—$538 million—to the savings realized with an $8.00 per hour wage mandate—$2.7 billion—we find that the cost would be less than one-fifth of the savings. This calculation uses assumptions that we believe overestimate the added public cost of wage mandates.

FINDINGS, IMPLICATIONS, AND POLICY RECOMMENDATIONS

The analysis of the ten California public assistance programs studied here reveals the following key findings:

• Many of the families receiving public assistance are receiving aid not because they are unable to work, but because the work they do does not pay them enough to meet basic needs. Working families (those with at least one member who works at least forty-five weeks per year) comprise over half (53%) of the families enrolled in at least one of the ten programs we analyzed. Of the $21.2 billion of public assistance to low-income families received by California families in 2002, 48%, or $10.1 billion, went to working families.

• Some of the largest programs supporting working families include medical care, the Earned Income Tax Credit (EITC), and Child Care Assistance. Of the $10.1 billion in public assistance expenditures that went to working families, $3.57 billion (35%) was for Medi-Cal, $2.66 billion (27%) for the EITC, and $1.24 billion (12%) for Child Care Assistance.

• The data indicate that most working poor are not employed in sectors that face competition from low-wage states or countries. Workers employed in the sectors that are more likely to face some out-of-state or international competition collectively received about $2.9 billion of public assistance benefits, whereas those in the sectors that face little out-of-state or international competition received about $7.2 billion.

19. An alternative method of calculating UI benefits is to take 50% of annual earnings at the new $8 per hour wage and assign eligibility and take-up rates. Even high rates of UI eligibility or take-up produce estimates in the same range as the figure in the text.
• Public assistance was concentrated among workers in several sectors. For instance, workers in the retail industry collectively received over $2 billion of public assistance, over twice the amount received by workers in any other sector.

• Most of the public assistance that went to working families went to families with workers earning very low wages: $5.72 billion went to families whose workers had average wages of $8 per hour or less. Another $1.86 billion went to those with wages between $8 and $10 per hour.

• Most of the public assistance to working families went to families with full-time workers, dispelling the notion that part-time work largely accounts for the low earnings of poor working families. A total of $7.63 billion, or 76%, went to single-earner families with thirty-four hours or more of work per week plus dual-earner families with seventy hours or more of work per week. Moreover, $8.26 billion dollars, or 82%, of public assistance benefits went to families with the equivalent of at least one full-time job (thirty-four or more hours per week).

• The simulation we conducted on wages predicts that a drop in public assistance payments from $10.11 billion to $7.43 billion (a nearly $2.7 billion difference) would occur if the current group of public assistance recipients earned at least $8 per hour. Simply raising wages for workers earning the minimum wage and slightly above would help working families and could potentially save billions of dollars in program expenditures.

• The simulation we conducted on employer-provided health insurance predicts that, at current wage levels, public assistance payments would drop from $10.11 billion to $7.91 billion (a $2.2 billion difference) if the working families currently receiving assistance had access to affordable health insurance through their employers. When combined with employer-provided health insurance, payments would fall to $5.41 billion with a wage floor of $8 per hour, $4.38 billion with a wage floor of $10 per hour, $3.71 billion with a wage floor of $12 per hour, and $3.17 billion with a wage floor of $14 per hour.

The findings in this report provide direction for current policy discussions on the costs of the hourglass economy. First, the findings in this report dispel a widely held misperception that part-time work largely accounts for the low earnings of poor working families. Instead, our analysis points to low wages as a primary factor leading workers to turn to public assistance. Pulling this set of families out of poverty and thus reducing their need for public assistance will likely be more dependent on finding ways to improve wages than on finding ways to increase the number of hours that they work. (A different set of policy considerations applies to the 47% of public assistance recipients that are members of families with no year-round workers.)

Second, our simulations show that savings in public assistance payments would be in the billions of dollars if the current group of recipients earned at least $8.00 per hour (savings of nearly $2.7 billion) or had affordable employer-provided health insurance (savings of $2.2 billion). Policies that improve wages and benefits would
allow public assistance programs to reach more families by moving people off waiting lists and into current programs and extending their eligibility.

Finally, the public assistance payments that flow to workers are of a magnitude that can change economic incentives for the businesses in which they are employed. This lends fuel to the growing concern that employers are increasingly relying on public assistance programs to supplement their workers’ wages. Given our current relatively low labor standards, employers face incentives to take the “low road” and shift some of their labor costs to the public. This “crowding out” effect has long been recognized in the public health arena; recent research suggests that it may also apply to the EITC. The policy implication is that programs like the EITC and the minimum wage are complementary, because a binding minimum wage would insure that the benefits from the EITC are not diverted into lower take-home wages. Thus, it is critical to couple public assistance programs for low-wage workers and their families with stronger labor standards, both to make the most effective use of existing public resources and to avoid creating negative incentives for employers.

Overall, this report suggests that public assistance programs could be much more effective if they were combined with policies and programs that improve wages and benefits. Policies to improve compensation fall into two main categories. One set of policies creates a floor on wages and benefits through labor market standards and/or strengthening the right of workers to organize and bargain collectively; the second set helps workers improve their skills while improving the productivity of the businesses in which they work. The two can be seen as complementary strategies. On the one hand, closing off the “low road” through labor market standards removes the incentives that employers currently face to pass on the costs of health care and non-self-sufficiency wages to the taxpayer. On the other hand, paving the “high road” through industrial upgrading and worker training can help employers absorb the costs of higher wages.

**Labor Market Standards**

A wide variety of policies can serve to raise the floor on wages and benefits, including minimum wage laws, living wage policies, benefits mandates, and policies that improve workers’ rights to organize and bargain collectively. Minimum wage increases apply across the board to all businesses. Other policies are targeted to specific industrial sectors; prevailing wage laws in construction provide one example. The recently passed California Health Care Insurance Act (which will be put before the voters in November 2004) would function as a health benefits mandate, requiring firms with more than 50 workers to provide individual health benefits, and firms with 200 or more workers to provide family benefits.

Another set of policies in this category promotes the creation of new jobs that allow workers to become self-sufficient and the upgrading of existing jobs to self-sufficiency level. In contrast, traditional state and local economic development
strategies focus on attracting jobs without considering wages and benefits. Cities and counties around the country have passed living wage ordinances requiring firms that receive public subsidies to meet wage standards. Several California cities and counties are considering policies that would require community impact reports for economic development projects receiving public subsidies. These policies include consideration of wages and health insurance along with other community benefits. In 2002 California distributed $5.5 billion in economic development subsidies to businesses, yet recipients did not—and currently do not have to—offer any accounting of how many jobs were created by the subsidies or what wages and benefits were provided (California Budget Project 2002). Nine states have passed disclosure requirements for economic development projects.20

The costs of labor market standards are greatest when employment is concentrated in sectors that face competition from regions or countries with lower wages. Our findings show that the bulk of workers receiving public assistance are employed in sectors that do not face significant international or even out-of-state competition, reflecting the distribution of low-wage work in the economy at large. In this context, higher wages and benefits are much less likely to result in a significant loss of employment. The disproportionate share of payments to workers in the retail sector suggests that sector-specific strategies, which may be combined with productivity-improving workforce training programs, could be successful. That 30% of the total payments to working families—$3 billion a year—go to workers (and family members) in firms with 500 or more employees suggests that policies could be established that would address “crowding out” without negatively impacting small businesses.

To make effective use of public resources, labor standards are best coupled with public assistance programs for low-wage workers and their families. Along these lines, the city of San Francisco, which recently instated an $8.50 per hour minimum wage, is considering a local EITC.

**Policies to Improve Workers’ Skills and Firms’ Productivity**

Improving workers’ skills is another strategy for improving wages and benefits. Higher skill levels increase workers’ access to good-paying jobs, and they increase firms’ productivity and their ability to compete, and thus their capacity to pay higher wages. Successful strategies along these lines include sectoral training partnerships, which not only link training with complementary efforts to improve the productivity and competitiveness of entire industries within a region but also link productivity improvements with higher compensation. These efforts encourage collaboration among companies and between companies and unions in a specific industry and harness the resources and expertise of organizations such as community-based nonprofits.

20. These states are Minnesota, Maine, Connecticut, North Carolina, Louisiana, Texas, West Virginia, Ohio, and Nebraska; see Greg LeRoy et al. 2002.
community colleges, labor organizations, and others. Sectoral partnerships have a strong record of retaining well-paying jobs, which provide career ladders for incumbent workers and good opportunities for new workers. In a complimentary approach, some Workforce Investment Boards have begun using the self-sufficiency standard as an assessment tool to evaluate the success of their One-Stop centers in moving workers into self-sustaining jobs.

The findings also highlight the importance of improving access to education, a strategy with one of the strongest relationships to income adequacy. Only 9% of adults in families enrolled in public subsidy programs had a college degree, compared to 29% of all adults. Budget shortfalls triggered cuts to course offerings in California's community college system that fell disproportionately on vocational education and resulted in an enrollment drop of 90,000 students in 2003 (California Community Colleges 2003). Proposed cuts in enrollment and higher tuition at the California State University and University of California systems will disproportionately reduce the access of low-income working family members to higher education. The cuts bring immediate savings to the state budget, but the long-term effect on family income, job attraction, and social service costs must be considered.

In summary, improving conditions for the working poor in California will require a combination of policy solutions. The public assistance programs discussed in this report provide vital support for millions of California's working poor, and many of these programs are facing probable budget cuts at the very moment that the economic downturn has increased demand for their services. In this context, a fiscally responsible policy approach for improving the lives of the working poor in the state would combine targeted income support programs with policies that establish labor standards, promote the development of self-sufficiency jobs, and increase access to education and training.

REFERENCES


APPENDIX A. Description of the Ten Public Assistance Programs

Earned Income Tax Credit
The Earned Income Tax Credit (EITC) is a refundable federal tax credit for eligible individuals and families that work and have earned income under $33,692 ($34,692 for married individuals filing jointly). The EITC reduces the amount of tax a worker owes, and it may result in a refund.
To qualify for the credit a worker must have earned income during the year. Total earned income and modified adjusted gross income must be less than: $11,230 ($12,230 for married individuals filing jointly) with no qualifying children; or, $29,666 ($30,666 for married individuals filing jointly) with one qualifying child; or, $33,692 ($34,692 for married individual filing jointly) with more than one qualifying child.
Workers also must have less than $2,600 in investment income to be eligible for the credit. Married persons filing separate returns and qualifying children of another person are ineligible. Members of married couples filing jointly cannot be qualifying children of another person. A qualifying child cannot be used by more than one person to claim the EITC. Detailed information about the EITC is available at http://www.irs.gov/individuals/article/0,,id=96466,00.html.

**CalWORKs (TANF)**

CalWORKs is a welfare program that gives cash aid and services to eligible needy California families. The program serves all fifty-eight counties in the state and is operated locally by county welfare departments. A family that has little or no cash and needs housing, food, utilities, clothing, or medical care may be eligible to receive immediate short-term help. Families that apply and qualify for ongoing assistance receive money each month to help pay for housing, food, and other necessary expenses.

CalWORKs payments are issued in the form of a check. The amount of a family's monthly assistance payment depends on a number of factors, including the number of people who are eligible and the special needs of any of those family members. The income of the family is considered in calculating the amount of cash aid the family receives.

Specific eligibility requirements take into account an applicant's citizenship, age, income, resources, assets, and other factors. Generally, services are available to: families with a child (or children) in the home who has been deprived of parental support or care because of the absence, disability, or death of either parent; families with a child (or children) and both parents in the home, but the principal earner is unemployed; and needy caretaker relatives of a foster child (or children).

More information about CalWORKs is available at http://www.deltacollege.edu/dept/calworks.

**Low Income Heat and Energy Assistance Program**

The Low Income Home Energy Assistance Program (LIHEAP) Block Grant is funded by the federal Department of Health and Human Services (DHHS). It provides two basic types of services. Eligible low-income persons, via local governmental and nonprofit organizations, can receive financial assistance to offset the costs of heating and/or cooling their dwellings, and/or have their dwellings weatherized to make them more energy efficient.

This is accomplished through three program components.

The Weatherization Program provides free services to improve the energy efficiency of homes, including attic insulation, weather-stripping, minor housing repairs, and related energy conservation measures.

The Home Energy Assistance Program (HEAP) provides financial assistance to eligible households to offset the costs of heating and/or cooling dwellings.

The Energy Crisis Intervention Program (ECIP) provides payments for weather-related or energy-related emergencies.

Eligibility for each program component is determined by a verified monthly and annual income adjusted for household size. A detailed table of income guidelines is available at http://www.csd.ca.gov/incometable.html.
Section 8 Rental Voucher Program

The Section 8 Rental Voucher Program increases affordable housing choices for very low-income households by allowing families to choose privately owned rental housing. The public housing authority (PHA) generally pays the landlord the difference between 30% of household income and the PHA-determined payment standard—about 80% to 100% of the fair market rent (FMR). The rent must be reasonable. The household may choose a unit with a higher rent than the FMR and pay the landlord the difference or choose a lower cost unit and keep the difference.

HUD contracts with housing authorities to provide Section 8 assistance to very low-income households, households already assisted under the Housing Act of 1937, and households with incomes up to 80% of the area median that qualify to receive a voucher in connection with other HUD programs. HUD determines median income levels for each area annually. Further details are available at http://www.hud.gov/progdesc/voucher.cfm.

Child Care Assistance

California provides a comprehensive array of child development programs to meet the needs of a variety of parents and children. Relevant programs for this analysis include: General Child Care and Development, Migrant Child Care and Development, Campus Child Care and Development, State Preschool Program, State Preschool Full-Day Program, School Age Community Child Care Program (Latchkey), and CalWORKs Child Care.

By statute, all eligible children must be under the age of thirteen, or under the age of nineteen if physically or mentally incapable of self-care, or under court supervision; children must also (1) reside with a family (a) whose income does not exceed 85% of the State Median Income (SMI) for a family of the same size and (b) in which the parent (or parents) is working or attending a job training or educational program, or (2) receive or need to receive protective services. Income counted to determine eligibility includes all sources of income to the family except: earnings of a child under eighteen years of age; loans, grants, and scholarships obtained under conditions that preclude their use for current living costs; grants or loans to students for educational purposes made or insured by a state or federal agency; allowances received for food, shelter, or uniforms or other work-required clothing; business expenses for self-employed family members; and income of a recipient of federal supplemental security income benefits pursuant to Title XVI of the Federal Social Security Act and state supplemental program benefits pursuant to the Federal Social Security Act and the Welfare and Institutions Code.

According to California Education Code, a family is “income eligible” if a family's adjusted monthly income is at or below 75% of the SMI, adjusted for family size, and adjusted annually. Further details are available at http://www.cde.ca.gov/cyfsbranch/child_development/downloads/finalplan0405.pdf.

Medi-Cal (Medicaid)

Medi-Cal is California's Medicaid health care program. This program pays for a variety of medical services for children and adults with limited income and resources. Medi-Cal is supported by federal and state taxes. Once eligibility is established, Medi-Cal benefits are available as long as eligibility requirements are met.
An individual is automatically eligible for Medi-Cal if she or he receives cash assistance under one of the following programs: SSI/SSP (Supplemental Security Income/State Supplemen
tal Program); CalWORKs (California Work Opportunity and Responsibility to Kids)—previously called Aid to Families with Dependent Children (AFDC); Refugee Assistance; and Foster Care or Adoption Assistance Program.

Individuals not receiving cash assistance may be eligible for Medi-Cal if they are one of the following: age sixty-five or older, blind, disabled, under twenty-one years of age, pregnant, diagnosed with breast or cervical cancer, in a skilled nursing or intermediate care facility, a person with refugee status during a limited period of eligibility (adult refugees may or may not be eligible depending upon how long they have been in the United States), a parent or caretaker relative of a child under twenty-one years of age. Also eligible is a child whose parent (a) is the primary wage earner and is unemployed or underemployed, or (b) is deceased or doesn't live with the child, or (c) is incapacitated.


**Healthy Families Program (SCHIP)**

The Healthy Families Program is a state- and federally funded health coverage program for children up to the age of nineteen whose family incomes are above the level eligible for no-cost Medi-Cal and below 250% of the federal poverty income guideline ($38,160 for a family of three) and who have been without employer-sponsored health insurance in the last three months.

Parents, legal guardians, stepparents, foster parents, or caretaker relatives may apply for insurance for a child living in their home. Only the parents' income will be considered. The income of a legal guardian, stepparent, foster parent, or caretaker relative who lives with a child will not be used to qualify the child for the program. Additional qualification criteria are available at http://www.healthyfamilies.ca.gov/English/about_join.html.

**Nutrition Program for Women, Infants, and Children**

The Special Supplemental Nutrition Program for Women, Infants, and Children—better known as the WIC program—serves to safeguard the health of low-income women, infants, and children up to the age of five who are individually determined to be at “nutrition risk” by a health professional. WIC provides nutritious foods, nutrition counseling, and referrals to health and other social services to participants at no charge.

WIC is not an entitlement program; that is, the U.S. Congress does not set aside funds to allow every eligible individual to participate in the program. Instead, WIC is a federal grant program for which Congress authorizes a specific amount of funding each year for program operations. The Food and Nutrition Service, which administers the program at the federal level, provides these funds to WIC state agencies (state health departments or comparable agencies) to pay for WIC foods, nutrition counseling and education, and administrative costs.

To be eligible, an applicant's income must fall at or below 185% of the federal poverty income guideline (currently $33,485 for a family of four). A person who participates or has family members who participate in certain other benefit programs, such as the Food Stamp Program, Medicaid, or Temporary Assistance for Needy Families, automatically meets the income eligibility requirement. Detailed information about the program is available at http://www.fns.usda.gov/wic/aboutwic/default.htm.
Food Stamp Program

The Food Stamp Program serves as the first line of defense against hunger. It enables low-income families to buy nutritious food with coupons and Electronic Benefits Transfer (EBT) cards. Food stamp recipients spend their benefits to buy eligible food in authorized retail food stores. The program is the cornerstone of the federal food assistance programs, and it provides crucial support to needy households and to those making the transition from welfare to work.

Households may have $2,000 in countable resources, such as a bank account. Households may have $3,000 if at least one person is age sixty or older or is disabled. Certain resources are not counted, such as an applicant’s home and lot and the resources of people who receive Supplemental Security Income (SSI) or benefits under the Temporary Assistance for Needy Families (TANF) program. Detailed eligibility guidelines are available at http://www.fns.usda.gov/fsp/applicant_recipients/fs_Res_Ben_Elig.htm.

National School Lunch Program

The National School Lunch Program is a federally assisted meal program operating in more than 99,800 public and nonprofit private schools and residential child care institutions. It provides nutritionally balanced, low-cost or free lunches to more than 26 million children each school day. In 1998 Congress expanded the National School Lunch Program to include reimbursement for snacks served to children (through eighteen years of age) in after-school educational and enrichment programs.

The Food and Nutrition Service administers the program at the federal level. At the state level, the National School Lunch Program is usually administered by state education agencies, which operate the program through agreements with school authorities.

Any child at a participating school may purchase a meal through the National School Lunch Program. Children from families with incomes at or below 130% of the federal poverty guideline are eligible for free meals. Those with incomes between 130% and 185% of the poverty guideline are eligible for reduced-price meals, for which students can be charged no more than forty cents. Children from families with incomes over 185% of the poverty guideline pay full price, although their meals are still subsidized to some extent. Local school authorities set their own prices for full-price (paid) meals, but they must operate their meal services as nonprofit programs.

After-school snacks are provided to children on the same income eligibility basis as school meals. Snacks are free, however, in programs that operate in areas where at least 50% of students are eligible for free or reduced-price meals.


APPENDIX B. The Combined Administrative and CPS Data Set

To carry out our analysis we needed to combine the detailed information available in the Current Population Survey (CPS 2000–2002) with the government administrative data on program enrollment and costs. This was necessary because the administrative data, which are derived from the programs themselves, rather than the self-reported responses of a small sample of California households, are a more accurate source of enrollment and cost information than the CPS. In addition, the CPS's self-reported values of cash transfers (such
as CalWORKs or EITC) and the estimated “fungible” values of non-cash payments (such as Medicaid) are unreliable measures of how much the benefits are costing taxpayers. We assume that although the CPS may result in an over- or undercount of program participation, this discrepancy is evenly distributed vis-à-vis the CPS household and demographic characteristics, resulting in an unbiased sample of households across all the other variables we use in this analysis.

Therefore, our task was to adjust the CPS enrollment figures to reflect official administrative statistics. The discrepancy can be substantial for particular programs. To quantify this potential discrepancy, we compiled specific administrative enrollment and benefit costs for California for the ten programs examined in this report.

As shown in the table below, there are indeed substantial differences between the CPS-based estimates and the administrative figures for enrollment and benefit costs.

<table>
<thead>
<tr>
<th>Administrative Data</th>
<th>CPS Data</th>
<th>CPS Over- or Undercount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual Level Data</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medi-Cal (Medicaid)</td>
<td>4,598,047</td>
<td>3,692,319</td>
</tr>
<tr>
<td>Earned Income Tax Credit (EITC)</td>
<td>2,272,298</td>
<td>2,084,120</td>
</tr>
<tr>
<td>CalWORKs (TANF)</td>
<td>1,390,529</td>
<td>1,023,126</td>
</tr>
<tr>
<td>Child Care Assistance</td>
<td>584,385</td>
<td>162,446</td>
</tr>
<tr>
<td>Food Stamp Program</td>
<td>1,741,007</td>
<td>1,572,003</td>
</tr>
<tr>
<td>Nutrition Program for Women, Infants, and Children (WIC)</td>
<td>1,266,813</td>
<td>1,345,075</td>
</tr>
<tr>
<td>Healthy Families (SCHIP)</td>
<td>561,631</td>
<td>489,566</td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>2,582,835</td>
<td>2,215,934</td>
</tr>
<tr>
<td><strong>Family Level Data</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 8 Rental Voucher Program</td>
<td>295,588</td>
<td>195,138</td>
</tr>
<tr>
<td>Low Income Heat and Energy Assistance Program (LIHEAP)</td>
<td>191,963</td>
<td>227,310</td>
</tr>
</tbody>
</table>

Most programs have an undercount in the CPS of between 8% and 34%. Two notable exceptions are Energy Assistance, which has an 18% overcount, and Child Care Assistance, which has a very large undercount of 72%.

To address this discrepancy, we adjusted the CPS data on enrollment and benefit costs using the administrative figures. We used administrative figures for overall enrollment to adjust the population weights in the CPS dataset. Specifically, we multiplied the population weight by the ratio of the number of enrollees from the administrative data to the number of enrollees estimated from the CPS. This ensured that the CPS-based analysis produced an aggregate enrollment that matched the administrative data. When non-enrollees were used in the analysis (for example, in our simulations), their weights were reduced to make sure the total state population was the same as the original CPS figure. In addition, since the benefit amounts are likely to vary between working family members and members of families with no year-round workers, for each program we adjusted the individual CPS benefits by the ratio of average administrative benefit level to average CPS benefit level. Details of this adjustment vary somewhat from program to program and are provided below. Note that whereas we feel comfortable with this adjustment for most programs, the severity of the
undercount in the case of Child Care Assistance means that one should be cautious regarding estimates for that program.

**PROGRAM ENROLLMENT VARIABLE CONSTRUCTION AND COST ADJUSTMENT METHODOLOGY**

**Earned Income Tax Credit**

The CPS identifies EITC recipients in the data set at the individual level using the \textit{EIT-\textit{CRED}} variable to report the total credit received. Administrative data report enrollment at the individual level. The \textit{EIT-\textit{CRED}} value was assigned to the individual recipient and applicable family members as both a yes/no variable \((p_{\text{eitc}}, f_{\text{eitc}})\) and a total value \((p_{\text{eitc}_v}, f_{\text{eitc}_v})\). The adjusted CPS value \((f_{\text{eitc}_a})\) was calculated by multiplying the ratio of \(p_{\text{eitc}_v}\) to its mean by the per capita cost of administrative cost to CPS reported enrollment, then aggregating the result \((p_{\text{eitc}_a})\) to the level of the family \((f_{\text{eitc}_a})\).

**Section 8 Rental Voucher Program**

The CPS identifies Section 8 recipients at the family level using the \textit{FHOUSSUB} variable and the monthly value of the benefit using \textit{FHOUSVAL}. Administrative enrollment is based on the number of vouchers in use, which are usually given to the family’s reference person. Because our construction of the family variable is more restrictive than that used in the CPS data, it may be possible that more than one “family” is receiving benefits under one voucher and that some cases are double-counted during the calculation of the CPS’s total annual amount. To remedy this problem we identified individuals in families receiving the benefit \((p_{\text{sec8}})\) and calculated the annual per person per family cost of Section 8 benefits \((p_{\text{sec8}_v})\) using the CPS’s original family ID, then summed the values to the level of our new family ID to create a new family designation \((f_{\text{sec8}})\), which corresponds to the \textit{FHOUSSUB} variable and a correct annual cost \((f_{\text{sec8}_a})\). This then allowed us to calculate the adjusted CPS value \((f_{\text{sec8}_a})\) using the methodology described above.

**Low Income Heat and Energy Assistance Program**

The LIHEAP program is coded at the household level for both enrollment \((HENGAST)\) and value \((HENGVAL)\) in the CPS. Administrative enrollment figures are also at the household level. This variable presents a similar situation as above, and we used the same methodology to calculate the per-person, per-family benefit value \((p_{\text{heap}_v})\) and family-adjusted value \((f_{\text{heap}_a})\).

**CalWORKs (TANF)**

The CPS reports CalWORKs recipients at the individual level as both a yes/no variable \((PAWYN)\) and a total value \((PAWVAL)\) for all recipients. Administrative enrollment is reported at the individual level. Persons were assigned both a yes/no variable \((p_{\text{tanf}})\) and value \((p_{\text{tanf}_v})\). Families were assigned a corresponding yes/no variable \((f_{\text{tanf}})\) and a total value
\( f_{\text{tanf}_v} \), which is the sum of \( p_{\text{tanf}_v} \) for all family members. Using the methodology described above, the adjusted CPS value \( (p_{\text{tanf}_a}) \) is the product of the ratio of \( p_{\text{tanf}_v} \) to its mean and the per capita cost of administrative cost to CPS reported enrollment. The values were summed across the family to calculate the \( f_{\text{tanf}_a} \) variable.

**Medi-Cal (Medicaid)**

The CPS reports Medicaid take-up \( (M\text{CAID}) \) and market value \( (PM\text{VCAID}) \) at the individual level. Administrative enrollment is reported at the individual level with different average costs for children under the age of eighteen and adults, and separately for those who are elderly or disabled. Each recipient was identified either as a youth \( (py_{\text{caid}}) \) or an adult \( (pa_{\text{caid}}) \). Families were assigned a value of the sum of \( P\text{-MVCAID} \) for all recipients in the family who were (a) not disabled, and (b) not 65 years of age or older. Adjusted CPS values at both the individual \( (pa_{\text{aid}_a}, py_{\text{aid}_a}) \) and family levels \( (f_{\text{caid}_a}) \) were calculated using the same methodology described above.

**Food Stamp Program**

The CPS reports food stamp recipients at the household level \( (H\text{FOODSP}) \) and market value at the family level \( (FM\text{VFS}) \). Administrative enrollment figures are for all persons in a family receiving benefits. To calculate adjusted CPS costs all persons with a family food stamp market value above zero were assigned yes/no \( (p_{fs}) \) and value \( (p_{fs_v}) \) variables. The methodology described above was used to calculate an adjusted individual value \( (p_{fs_a}) \), which was then summed across the family \( (f_{fs_a}) \).

**National School Lunch Program**

The CPS reports take-up of free and reduced-price school lunches at the household level \( (HFLUNCH) \) and market value of school lunches at the family level \( (FM\text{VSL}) \). Administrative data report enrollment as the number of children receiving the benefit. In addition to the inconsistency between the units of measure for CPS and administrative enrollment, there is a wide discrepancy between the family and household variables in the CPS since some families with a positive school lunch market value are not identified as being in households receiving a free or reduced-price lunch. To correct for this, all eligible children in households receiving the benefit or in families with a positive market value were assigned the variable \( p_{sl2} \). The sum of enrolled children was aggregated to the level of the family \( (f_{sl2-n}) \), which allowed the calculation of the per capita CPS \( (p_{sl2_v}) \) and adjusted CPS \( (p_{sl2_a}) \) values of school lunch benefits using the methodology described above. The adjusted value was summed to the level of the family \( (f_{sl2_a}) \).

**Child Care Assistance**

The CPS identifies the persons (adults) who received child care assistance benefits \( (CC\text{AYN}) \) in 2001 and the number of persons in a household receiving the benefit \( (HR\text{NUMCC}) \), whereas the administrative data report the number of children served annually. To reconcile these two data sets, the eligible children in households receiving the benefit were identified as
then aggregated at the family level as \( f_{eca} \). Since there is no CPS reported market or fungible value for the assistance benefits, each case was assigned a ratio of 1 when using the methodology described above for calculating the total family value.

**Healthy Families (S-CHIP)**

The CPS identifies children who were enrolled in the State Child Health Insurance Program in 2001 (PCHIP). Administrative data specify the number of children enrolled in the program. Since there is no CPS reported market or fungible value for the assistance benefits, each case was assigned a ratio of 1 when using the methodology described above for calculating the total family value.

**Nutrition Program for Women, Infants, and Children**

The CPS identifies mothers and pregnant women receiving WIC benefits (WICYN), but not their children. Administrative data provide enrollment figures for all persons in the program. Children of enrolled mothers were identified based on eligibility and, along with their mothers, assigned a yes/no value \( p_{wic} \). Since there is no CPS reported market or fungible value for the assistance benefits, each case was assigned a ratio of 1 when using the methodology described above for calculating the total family value.
The Hidden Public Costs of Low-Wage Jobs in California

CAROL ZABIN, ARINDRAJIT DUBE, and KEN JACOBS

Over the past two decades, California’s “new economy” has produced an hourglass pattern of job distribution, fostering far more growth among high- and low-wage jobs than middle-income jobs (see Milkman and Dwyer 2002). A growing segment of Californians work year-round but earn too little to provide for their families. As a consequence, these families must often resort to publicly funded “safety net” programs to supplement their earnings and meet their basic needs. Increasingly, public assistance is becoming an ongoing wage supplement for low-wage workers, rather than assistance for those who find themselves unable to work or those transitioning to work from welfare or unemployment.

Working families are not the only ones who bear the burden of increasing numbers of low-wage jobs. Taxpayers also share the cost. This report focuses on an important outcome of the increase in low-wage work: the hidden costs for taxpayers when California’s working families must rely on public assistance to meet their basic needs. This study is the first to quantify, at a statewide level, the government outlays that occur as a result of low-wage jobs. The study thus informs the current debate about the “Walmartization” of the economy by assessing what happens when costs traditionally borne by employers are shifted to the public.

This report assesses the extent to which California’s working families participate in selected public assistance programs and estimates the cost incurred by the government to provide these benefits. Using data compiled from ten large statewide public assistance programs, we assess the costs of the programs for working families, documenting the distribution of costs by wage levels and hours worked. We also document the demographic and employment characteristics of working families that receive

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Means-tested public health and welfare programs provide much-needed support that helps poor families make ends meet. As has been well documented elsewhere, these programs are currently inadequate to fulfill the goal of lifting families out of poverty because of restrictive eligibility requirements and the long waiting lists for some programs (Boushey et al. 2003). As we will show, many families with full-time wage earners now qualify for and participate in these programs. It should be no surprise that some programs include significant numbers of working families, since the welfare reforms of the 1990s restructured many programs to encourage work. Nonetheless, welfare reform promised that full-time workers would no longer need safety net programs. There is now increasing concern that some of these programs, meant to provide temporary relief to low-skilled workers entering the workplace, have become permanent supports needed to supplement permanent low wages.

In fact, our current relatively low labor standards may encourage employers to take the “low road” by relying on public assistance programs to meet some of their labor costs. This can produce a vicious circle that places a continuous strain on public resources at the same time that it creates incentives for more and more firms to reduce compensation and shift these costs to the public.

Projections from California’s Employment Development Department indicate that if the state continues its current economic development path, the ranks of families who are working but unable to make ends meet will only increase (EDD 2004). Figure 1.1 shows the projected employment growth for the years 2000 through 2010, by various wage categories.1 The fastest growth is occurring in the jobs with the lowest wages: over a million new jobs will pay under $12 per hour, and another 450,000 will pay below $16. There is much less growth in the middle wage categories. In this context, systematically estimating the hidden public cost of supplementing the wage and benefit packages provided by low-wage employers is fundamental to discussions about economic policy in California.

BACKGROUND AND METHODOLOGY

This section describes the data set that we created to carry out our analysis and the public programs that we analyzed.

This report relies on two data sources: our compilation of administrative data on enrollment, costs, and eligibility requirements for public assistance programs in California (listed below), and Current Population Survey (CPS) data on the individuals

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1. We calculated the growth in jobs in each wage category by matching current median occupational wages to the Employment Development Department’s projection of employment growth by occupation for its 533 occupation categories.
and families that participate in these programs. We compiled administrative data for 2002 for the ten public assistance programs for which there is data in the CPS. Administrative data were provided by the federal or state government (sources are listed by program in Appendix A). Individual and family data were compiled from the CPS Annual Demographic Survey (often referred to as the March CPS Supplement) for the years 2000 through 2002. The March Supplement asks respondents about receipts of cash and non-cash transfer payments during the past year and includes questions about the ten programs studied; it supplements the CPS’s regular detailed information on individuals and households. Our two data sources complement each other: Although the administrative data on program enrollment are more accurate than are the data drawn from the March Supplement, the administrative sources do not include detailed demographic and employment information on the

2. The March Supplement is currently the official source of estimates of income and poverty in the United States, and it has been widely used by economists to study wages, health coverage, and public programs. Although the Survey of Income and Program Participation (SIPP) has somewhat more detailed information on certain public assistance programs, it has a somewhat smaller sample size than the March Supplement, and the sample is not designed to be representative within states, therefore limiting our ability to produce reliable results. We checked our results for 2002 by using a three-year sample to increase the number of observations; there was very little difference in the results between the larger and smaller data sets.
individuals and families enrolled. Moreover, the CPS cannot be used alone because it does not have information on overall program costs and because overall program enrollment is measured less precisely in the CPS than in the administrative data.\(^3\)

Combining the two data sets for analysis required two main adjustments (explained in detail in Appendix B). First, because there is a disparity between the enrollment data from administrative sources and the CPS (CPS data contain an undercount in enrollment for most programs), we made an adjustment in the CPS enrollment data to reflect the aggregate enrollment in the administrative figures. This adjustment consists of changing the weights assigned to each CPS observation to reflect the undercount (or overcount) in the CPS data relative to the administrative data. Since each individual is already assigned a weight that estimates the proportion of similar individuals in the total population, the adjustment is a simple multiplication of this weight by the ratio of the number of enrollees from the administrative data to the number of enrollees estimated from the CPS. This ensures that the CPS-based analysis produces an aggregate enrollment that matches the administrative data. When non-enrollees are used in the analysis (for example, in our simulations), their weights are reduced to make sure the total state population is the same as the original CPS figure. Second, we used the administrative data to calculate the costs per enrollee, but we included an adjustment that reflects the fact that benefit amounts are likely to differ between working families and families with no year-round workers. Thus, for each program and for each family type we adjusted individual CPS benefits to conform to the ratio of average administrative benefit level to average CPS benefit level.

For the analysis of the costs of public programs that accrue to working families, we use a specific definition of a working family that corresponds to the definitions used to determine eligibility for the programs under study. The “health insurance unit,” used for Medi-Cal, and “taxpaying unit,” used for the Earned Income Tax Credit (EITC) program, are two such examples.\(^4\) Since our definition is similar to

3. The CPS does include some self-reported values of cash transfers (for example, for CalWORKs and the Earned Income Tax Credit) and the estimated “fungible” values of some non-cash payments (such as for Medicaid), but these are an unreliable measure of how much the benefits are costing taxpayers overall.

4. The CPS defines a “family” as two or more individuals related by birth or marriage—a fairly broad definition. Based on this definition, one could determine whether a person receiving public assistance has a family member who is working and subsequently estimate what fraction of public assistance recipients are “working family members.” This definition of a family member is conceptually problematic, however, since it does not correspond well to the definitions utilized by most public assistance programs, including Medi-Cal and EITC. The latter use a much narrower definition to establish who qualifies as a family member, which is one of the criteria used to determine family income, which in turn guides program eligibility. For instance, for the ten programs we studied, an unemployed man living with his employed sister would not have his sister’s income counted toward “family income.” Therefore, if he receives public assistance he would be considered a “working family member” under the CPS definition of family. This is misleading since no family member considered for program eligibility is actually
that of a nuclear family, extended family households that include adult siblings or other extended family members are considered to be multiple families.

We define an individual to be a working family member if one of the following conditions are met: (1) the individual is working; (2) his or her spouse is working; (3) the individual is under eighteen and at least one of his or her parents is working; or (4) the individual is under twenty-two, is a full-time student, and at least one of his or her parents is working. A working family is a family composed of such individuals; families with no year-round workers constitute all other families. Under our definition a working family has a maximum of two adult earners since other workers in the household are considered to be part of another family.

We make an additional restriction in our definition of working families to set a clear standard for worker’s employment throughout the year. An individual is considered to be “working” if he or she is presently employed and he or she worked for at least forty-five weeks in the past year. If individuals are presently employed but have worked less than forty-five weeks in the past year, or if they are presently not employed even though they have worked between one and fifty-one weeks in the past year, they might best be considered “under-employed” and are part of the “families with no year-round workers” category.

**Public Assistance Programs in California**

California, like other states, has a wide variety of public assistance programs funded by federal, state, and local governments. Each program has a unique purpose and specific eligibility requirements. For this study we examine programs that provide cash or other assistance to supplement the income or reduce the expenditures of poor families that reside in California. We focus on the means-tested programs that are available to individuals or families specifically because they have low incomes (whether or not they are employed). For this reason we exclude programs that offer benefits to those who are retired or disabled and thus are usually not part of the labor force. We also exclude programs designed to increase the skills and thus the future working. Under eligibility requirements for most public assistance, the unemployed adult’s nuclear family would be considered separate from the employed sister and her nuclear family.

This avoids a problem arising from the timeframe of the CPS. Although most of the CPS questions regarding public assistance concern receipt over the past year, most questions regarding details about their employment refer to current labor force participation. Considering only current work status is problematic. It may be that a person was unemployed for eleven months over the past year, during which time she or he received public transfers, but she or he is currently employed and not receiving such transfers. Categorizing that person as a “working family” enrollee in a public program is thus misleading. Since respondents are asked about the number of weeks they worked over the past year, restricting our definition of “working” to those who worked forty-five weeks of the year assures that the family received benefits while one member was in fact working.
earning power of workers, such as programs that only provide subsidies for training and education.

We include both the traditional safety net programs such as the Food Stamp Program and those that arose as a result of welfare reform and are designed to encourage work, such as Temporary Assistance to Needy Families (TANF), commonly known as Welfare-to-Work. We also include the EITC, designed to serve only those who work, because it is not only directly affected by wage levels but also one of the largest government public assistance programs that supplements the income of poor families.

We examine only income support programs for California residents that are represented in both of our two main data sources. Local programs such as General Assistance, county children’s health programs, and health care programs for indigents are significant taxpayer-funded programs that we were unable to include because the necessary data are not available. Thus, our estimates of taxpayer costs from inadequate wages and employer benefits are lower than the true magnitude of these costs. Our estimate of the subsidies that currently support working families in California is, therefore, quite conservative.

We analyze ten programs in this study (more program details, including eligibility guidelines, are provided in Appendix A).

*The Earned Income Tax Credit (EITC)* is a refundable federal tax credit for eligible individuals and families that work and had an earned income under $33,692 ($34,692 for married individuals who file jointly) in 2003. The EITC reduces the amount of tax a worker owes, and it may result in a refund.

*CalWORKs* is California’s version of Temporary Assistance to Needy Families (TANF), which gives cash aid and services to eligible needy California families.

*The Low Income Home Energy Assistance Program (LIHEAP)* is a federally funded block grant that provides eligible low-income persons with financial assistance to offset costs of heating and cooling their dwellings and of weatherizing their dwellings to make them more energy efficient.

*The Section 8 Rental Voucher Program* is a federal program that increases affordable housing choices for very-low-income households through a subsidy that allows families to choose privately owned rental housing.

*Child Care Assistance* refers to a comprehensive array of state programs designed to meet the needs of a variety of parents and children.

*Medi-Cal* is California’s Medicaid health insurance program. Supported by federal and state taxes, it pays for a variety of medical services for children and adults with limited income and resources. (For the purpose of this report, we consider only Medi-Cal enrollees who are not disabled or elderly, since the vast majority of these enrollees are not labor force participants.)

*The Healthy Families Program* (California’s name for the State Child Health Insurance Program, or SCHIP) is a state- and federally funded health insurance program for children (up to the age of nineteen) in families with incomes that exceed the Medi-Cal eligibility threshold, provided that these children were without employer-sponsored health insurance in the last three months.
The Special Supplemental Nutrition Program for Women, Infants, and Children—better known as WIC—serves to safeguard the health of low-income women, infants, and children up to age five who are determined to be at “nutrition risk” by a health professional. The program provides nutrition, information on healthy eating, and referrals to health care.

The Food Stamp Program serves as the first line of defense against hunger, as it enables low-income families to buy food with coupons and Electronic Benefits Transfer (EBT) cards.

The National School Lunch Program is a federally assisted meal program operating in many public and nonprofit private schools and residential child care institutions.

According to our compilation of government administrative data, California residents received a total of $21.2 billion dollars of public assistance through these ten programs in 2002. Figures 1.2–1.4 provide the enrollment and aggregate costs for

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**Figure 1.2.** Enrollment in Public Assistance in California, by Program, 2002

Source: Administrative data (see Appendix B).

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6. We did not include any administrative expenses in estimating program costs. Since we are fundamentally interested in estimating how much taxpayer expenses would fall if enrollment falls, it is prudent to not include expenses that have to be paid regardless of the number of enrollees (that is, “fixed costs”). Since in reality administrative expenses are only partly “fixed,” our cost estimates are conservative in the sense that they underestimate how much costs would fall if current enrollees received better wages and benefits.
Figure 1.3. Total Cost of Public Assistance in California, by Program, 2002
Source: Administrative data (see Appendix B).

Figure 1.4. Average Cost per Beneficiary of Public Assistance in California, by Program, 2002
Source: Administrative data (see Appendix B).
Of these ten programs, Medi-Cal, EITC, and CalWORKs are the most expensive. Medi-Cal’s cost reflects both a large number of enrollees and a high cost per enrollee. Cost per beneficiary is highest for Child Care Assistance, CalWORKs, and Medi-Cal. In contrast, the National School Lunch Program has over 2.5 million participants, but its costs are relatively low. The same pattern holds for the WIC and Food Stamp Programs.

PUBLIC ASSISTANCE TO WORKING FAMILIES

This section analyzes the proportion of “enrolled families” or “recipient families” that are working families. For this analysis we define a “recipient family” or an “enrolled family” to be one that receives assistance through at least one of the ten programs. As stated earlier, working families are defined as those in which at least one member worked forty-five weeks or more in 2002.

Our analysis shows that 53% of the families that received benefits from at least one of the ten programs under study qualified as working families, as shown in Figure 1.5. In other words, individuals in 53% of families that received public assistance from at least one of the ten programs under study either worked for the entire year or had a spouse or a parent who did so. This sharply contrasts with the conven-
tional wisdom that public assistance serves mainly as a safety net for those who cannot work or who are unable to find work.

Figure 1.6 compares the number of working families to all families enrolled in each program (the numbers of enrollees differ from those in Figures 1.2–1.4 because Figure 1.6 uses data on families while the other three figures use data on individuals). Proportions differ substantially by program. For example, 1.46 million out of a total of 2.26 million families (65%) that utilize EITC had at least one member who worked throughout the year; for School Lunch, .8 million out of 1.25 million families (64%) were working families, and for Healthy Families, .22 million out of .29 million (76%) were working families. On the other hand, working families comprised less than 27% of all enrollees in Energy Assistance (.06 out of .19 million), Rental Assistance (.08 out of .30 million), and CalWORKs (.13 out of .48 million). This is to be expected because the income eligibility criteria for the former set of

7. Our data show that some families who receive EITC are not working families, even though only families with a member who worked at least part of the year are eligible. This may seem anomalous, since EITC only accrues from earned income. These recipient families, however, only have members who worked for less than forty-five weeks out of the year. In this case the family may qualify for EITC, but it is not considered to be a working family by our definition (which requires that at least one family member worked forty-five weeks during 2002).
programs are less restrictive than those for the latter. Since families with a working person are likely to have higher incomes than those that do not, we expect to find them concentrated in programs with less restrictive eligibility criteria.

EITC had the largest number of enrolled families, followed by Medi-Cal and School Lunch. This ranking held regardless of family work status. Furthermore, the three smallest programs for both types of families were Child Care Assistance, Rental Assistance, and Energy Assistance. In other words, although the proportion of working families varied substantially by program, the same programs that enrolled the greatest or the fewest people for one type of family also did so for the other.

Figure 1.7 illustrates the cost (rather than the number of enrolled families) of public assistance for working families and families with no year-round workers. In 2002 California residents received approximately $21.2 billion in public assistance from the ten programs under study. This is the cost to taxpayers (excluding the fixed administrative costs of the programs) from state and federal expenditures. Notably, 48% of this sum, or $10.11 billion, went to working families. While working families’ share of the cost was somewhat lower than their share of enrollment (53%, as noted earlier), they nevertheless received nearly half of all public assistance.

Figure 1.8 illustrates the cost of each program separately, for working families and for all recipients. Here, too, we find substantial variation among different programs, mirroring the variation in enrollment. Working families’ share of costs was greatest for Healthy Families, EITC, and School Lunch, and it was lowest for Rental Assistance, CalWORKs, and Energy Assistance. In terms of absolute numbers, Medi-Cal and EITC accounted for the largest portion of public assistance costs for working families.

Medi-Cal, Healthy Families, and Child Care Assistance are more expensive than
is suggested by enrollment numbers, as the cost per family in these programs is higher than average.

DEMOGRAPHIC CHARACTERISTICS

This section analyzes the income and demographic characteristics of California’s working families that received benefits from the ten public assistance programs under study. We analyze the family structure, ethnicity, and educational levels of working families and their members; we also examine how families receiving assistance are distributed across the state.

The structure of working families receiving public assistance differed significantly from that of all public assistance recipient families considered together. A comparison of Figures 1.9 and 1.10 shows that the working families enrolled in these programs were substantially more likely to contain two parents (48%, versus 35% of all recipient families). In addition, working families were less likely to be without chil-
Figure 1.9. Structure of Working Families Receiving Public Assistance in California, 2002
Source: Combined administrative and CPS data (see Appendix B).

Figure 1.10. Structure of All Families Receiving Public Assistance in California, 2002
Source: Combined administrative and CPS data (see Appendix B).
This bias toward families with children is, of course, partly a function of the fact that some programs, like Healthy Families and Child Care Assistance, are available only to families with children.

The ethnic composition of working families receiving assistance is shown in Figure 1.11. Latinos made up 59% of all public assistance recipients in California in 2002; Whites accounted for 23%, Asians and Pacific Islanders for 9%, African Americans for 6%, and Native Americans for 1% of all recipients. The proportion of Latinos in the pool of public assistance recipients was actually slightly lower than their proportion (61%) among all families that earned less than 250% of the federal poverty income guideline.8

Adults in families receiving public assistance had less education than did adults in the general population, as shown in Figure 1.12. Only 63% of adults in working families receiving public assistance finished high school, compared to 85% of all adults in California. Even more striking, only 9% of adults in working families receiving public assistance had a college degree, compared to 29% of all adults.

The geographic spread of public assistance recipients corresponded roughly to the geographic spread of population and poverty in the state, as shown in Figure 1.13. Over half, 1.94 million, of all recipient families were in the greater Los Angeles area (Los Angeles, Riverside, and Orange Counties), while .52 million, or about 14%, were in the nine-county San Francisco Bay Area. Working families in the Los Angeles area and the Bay Area together made up over half (2.01 million) the total number of public

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8. Two hundred and fifty percent of the federal poverty income guideline reflects a more accurate average measure of the income a family needs to be self-sufficient in California than does the guideline itself, and this figure is used in this document as needed. See NEDLC 2004.
Figure 1.12. Education Level of Adults in Working Families Receiving Public Assistance and All Adults in California, 2002

Source: Combined administrative and CPS data (see Appendix B).

Figure 1.13. Enrollment of Families Receiving Public Assistance in California, by Location, 2002

Source: Combined administrative and CPS data (see Appendix B).

Note: FPL = Federal Poverty Level.
assistance recipients. The number of working families and families with no year-round workers was much smaller in the Bay Area than in the Los Angeles area, not only because the former has a smaller population but also because it has a smaller proportion of families that earn less than 250% of the federal poverty income guideline. Overall then, because Bay Area residents are less poor, they were somewhat less likely than were residents in other parts of the state to receive public assistance. Over half, .29 million, of Bay Area public assistance recipients were in working families. We should be cautious to draw too much inference from this geographic pattern, as the CPS data at the sub-state level are less reliable than are data for the whole state.

**INCOME, EMPLOYMENT, AND INDUSTRY CHARACTERISTICS**

This section first documents the income that working families receiving public assistance earn and the contribution that public assistance makes. It then provides a profile of the types of businesses that employ workers from families that receive public assistance. We document the industries in which these workers are employed and the quantity of public resources flowing to those workers, and we estimate the distribution of employees by firm size as well. Finally, we document workers’ wages and hours worked. In this section we use data on program enrollment and on program cost.

**Family Income, Public Assistance Contribution, and Self-Sufficiency**

Public assistance provides essential support to the millions of working families who are able to enroll in programs for which they are eligible; many programs have long waiting lists and have to turn eligible families away. Even with public assistance, however, many working families are unable to attain income levels that meet their basic needs. The average family income in California in 2002 was $24,800. On average, these fam-

9. As a measure of the income levels that families need to meet their basic needs, we use the county level “self-sufficiency” income levels developed for the National Economic Development and Law Center (Pearce and Cassidy 2003). The federal poverty income guideline has been discredited as an accurate measure of the income needed to meet basic needs, as it ignores regional variations in living costs and has a host of other problems. See Pearce and Cassidy 2003 for a discussion of the accuracy of different measures.

10. The figure uses CPS data on income and public assistance for working families and the county-level self-sufficiency standards for twenty-four family types. We report income, public assistance, and the self-sufficiency gap for three broad family types by computing a weighted average across counties and the more detailed family types.
families received $4,700 in benefits from the ten programs we studied. This brought them close to self-sufficiency, but there was still an average gap of $2,600 between their incomes and the self-sufficiency standard. Working families with one adult and two children faced an even larger average shortfall of $5,500. Public assistance brought working families closer to self-sufficiency, but the gap that remains demonstrates that even with vital public support families are not able to meet their basic needs.

**Industry and Firm Characteristics**

Figure 1.15 shows the ten industries that employed the greatest number of workers in families receiving public assistance. Retail trade is the clear frontrunner, employing 576,000 workers, or, as Figure 1.16 shows, about 22% of all enrollees. Other large concentrations of these workers were in business and repair services, construction, and nondurable manufacturing.

11. The self-sufficiency standard was calculated for each county based on the cost of living in that county, and the gap was calculated as the difference between that standard and average working family income in that county. County gaps were then aggregated to the state level.

12. Business and repair services include both high-end professional services such as IT consulting and low-end services such as janitorial and security services.
Program enrollees were disproportionately concentrated in some sectors, as shown in Figure 1.16. Workers in families receiving public assistance were substantially more likely to be employed in the retail sector than were workers as a whole. Other sectors with disproportionate numbers of program enrollees included agriculture, nondurable goods manufacturing, social services, private household services, and personal services.

Our findings show that the bulk of workers receiving public assistance are employed in sectors that do not face significant international or even out-of-state competition, reflecting the distribution of low-wage work in the economy at large. Workers employed in the sectors that are more likely to face some out-of-state or international competition collectively received about $2.9 billion of public assistance benefits, whereas those in the sectors that face little out-of-state or international competition received about $7.2 billion.¹³

Figure 1.17 shows the annual total cost of the public assistance that workers

¹³. To calculate the sectors facing some out-of-state or international competition we used a very broad classification of “tradable” sectors: durable and nondurable manufacturing; finance, insurance, and real estate (FIRE); hospitality and entertainment; and other professional services and agriculture. Sectors facing little out-of-state competition were construction, transportation, government, trade, and a variety of service sectors.
Figure 1.16. Percentage of All Workers and Workers Receiving Public Assistance in California, by Industry, 2002
Source: Combined administrative and CPS data (see Appendix B).
Figure 1.17. Annual Amount of Public Assistance to Working Families in California, by Industry, 2002

Source: Combined administrative and CPS data (see Appendix B).
received in California, aggregated by industry.\textsuperscript{14} The importance of the retail sector is again apparent: workers in this industry received more than $2 billion in taxpayer-funded public assistance in 2002, over twice that of any other sector. Other important sectors include business and repair services, whose workforce received about $850 million in public assistance, and construction, which received over $700 million in public assistance.

Figure 1.18 shows the distribution by program of public expenditures on benefits to workers in the retail industry. EITC and Medi-Cal furnished 70\% of the assistance for workers in retail. In comparison, EITC and Medi-Cal accounted for approximately 57\% of the ten program costs for all working families.

Figure 1.19 shows the number of employees from families receiving public assistance, distributed by the size of the firms in which they worked. These workers were concentrated in very small and very large businesses. It is notable that almost 700,000 workers—over 25\% of these recipients—worked at firms with more than 1,000 employees. Figure 1.20 compares the percentage of these workers with all

\textsuperscript{14} When a family had members working in different industries, we allocated its total public assistance to its workers proportionate to each worker’s hours. Then we aggregated this per-worker value by industry.
Figure 1.19. Number of Employees Receiving Public Assistance in California, by Firm Size, 2002
Source: Combined administrative and CPS data (see Appendix B).

Figure 1.20. Percentage of Employees Receiving Public Assistance in California, by Firm Size, 2002
Source: Combined administrative and CPS data (see Appendix B).
workers in each category of firm size. Public subsidy recipients were disproportionately concentrated in smaller firms.

**Hours and Wages**

Working families that participate in public assistance programs meet the means-tested eligibility requirements because their members either work but earn low wages or work few hours (or a combination of both). In addition, since income requirements differ by family size, the more dependents a family has, the more assistance they may qualify for at any given level of income. This section assesses the importance of each of these factors in the distribution of the $10.1 billion of public assistance payments made to working families in California.

Figure 1.21 shows the number of workers from families receiving public assistance, distributed by wage level.\(^{15}\) The largest number earned $8.00 per hour (not much more than the current minimum wage of $6.75 per hour) or less.

Figure 1.22 shows the cost of public assistance received by working families, distributed by the wage level of the family members who worked in 2002. Families with workers earning $8.00 per hour or less received by far the largest portion of public assistance payments, totaling $5.72 billion. The correlation between public assistance and wage level is clear: most of the workers in families that receive public assistance also fall into the lowest wage category.

Next we address the question of whether these workers are employed part time or full time. For the sake of clarity, we distinguish between families with one earner and

\(^{15}\) In multi-earner families, wage levels were calculated as the weighted average (by hours worked) of the wages received by all wage earners.
families with two earners, since the number of hours they can potentially work differs. Figures 1.23 and 1.24 show expenditures for public assistance, distributed by the number of hours worked per week for single- and for dual-earner families. For both types, the greatest proportion of benefits went to families in which earners worked full time (at least thirty-four hours a week for single earners, and seventy hours for dual earners). For single-earner families, $1.81 billion of assistance went to families in which earners worked less than full time. For dual-earner families, only $0.04 billion went to families whose workers together worked less than the equivalent of one full-time job, and $1.31 billion went to families whose two workers together worked seventy hours or more, the equivalent of two full-time jobs. When single- and dual-earner families are aggregated, $8.07 billion, or 81%, of public assistance benefits went to families with the equivalent of at least one full-time job. Moreover, $7.44 billion, or 75%, went to single-earner families with over thirty-four hours of work per week plus dual-earner families with seventy hours or more of work per week.

SIMULATING ALTERNATIVE LABOR MARKET STANDARDS

To get a clearer idea of what might reduce working families’ reliance on public assistance, we simulate the impact of five labor market standards (LMS). The first four are

16. This discussion addresses the issue of part-time employment, but not labor force participation. Our calculation of average family work hours does not include all adults, but rather only those adults that work.
Figure 1.23. Public Assistance Receipts for Single-Earner Families in California, by Hours Worked, 2002
Source: Combined administrative and CPS data (see Appendix B).

Figure 1.24. Public Assistance Receipts for Dual-Earner Families in California, by Hours Worked, 2002
Source: Combined administrative and CPS data (see Appendix B).
wage standards of $8, $10, $12, and $14 per hour. The fifth is an employer-sponsored health insurance mandate (ESI); this analysis simulates a scenario in which all employers provide their employees with affordable family health coverage.\textsuperscript{17}

We predict public assistance receipts under these LMS scenarios by utilizing a regression model.\textsuperscript{18} This model allows us to compare how public assistance values vary as we change wages or benefits, adjusting for differences in family structures, demographic and geographic factors, and hours of work. For this exercise we assume that the number of hours worked is the same for all individuals—in other words, we assume that there will be no changes in labor supply or demand as a consequence of the LMS. We do not mean to suggest that imposing, say, a minimum wage of $14 per hour would have no other impact on the labor market; rather, these simulations suggest the changes that would be needed to make a dent in the current reliance of working families on assistance programs.

We find that working families' receipts of public assistance would fall from $10.1 billion to $7.43, $6.29, $5.15, and $4.55 billion for wage standards of $8, $10, $12, and $14 per hour, respectively, as shown in Figure 1.25. As suggested by our earlier tabulation of transfers by wage and hour categories, there is a substantial drop (nearly $2.7 billion) in public assistance payments when wages are brought up from the current minimum wage to $8 per hour. Consistent with our earlier findings, a movement to $14 per hour reduces transfers by nearly 5.6 billion dollars. In other words, although upgrading minimum-wage jobs to $8 or $9 per hour substantially reduces working families’ reliance on public assistance, given the structure of families, creation of and access to “middle-income” jobs (for example, those paying $14 per hour and above) is needed as well. Conversely, replacing jobs paying $14 per hour with those paying $8 per hour is likely to prove costly not only to working families but also to taxpayers at large.

\textsuperscript{17} We do not assume that all current enrollees for Medi-Cal and Healthy Families who are working family members will stop taking up public health with the ESI mandate. We allow take-up of “wrap-around” public coverage as it empirically occurs for similar families who currently enroll in employer-provided family health coverage.

\textsuperscript{18} The regression utilizes data from 2000 through 2002, but predictions are made only for 2002.

We ran separate regressions for each program. For each regression the outcome variable is total current public assistance received. Since the outcome variable is censored at zero, we use a censored normal regression model. The key independent variables are twenty-eight categories of family wages and hours interaction and ESI. Control variables are family structure, family size, number of children below six years of age, race composition, gender composition, age composition of adults, income other than earnings and public assistance, presence of disabled individuals in the family, year variables, and county of residence. After estimating the model, we simulated public savings under alternative LMSs by changing workers’ wages while holding constant their hours of work. Finally we aggregated over all ten programs. By considering the twenty-eight categories of wages and hours interaction, and by considering each program separately, we allow for a varied impact of wages on public assistance for each program and family work configuration.
Figure 1.25 also illustrates, for each simulated wage level, the decline in public assistance if employers were to provide affordable health insurance. We find that with a mandated ESI, public assistance to working families would fall by $2.2 billion without any additional wage standards, $2.02 billion with a wage standard of $8 per hour, and so on. This drop in payments occurs because the costs of Medi-Cal and Healthy Families would be reduced substantially. The savings from an ESI mandate decline when wages increase because both wage and benefit standards can reduce public health enrollment—the former through reducing eligibility and the latter through reducing take-up (the number of workers who enroll).

Figure 1.26 shows the predicted reduction in public assistance with a wage floor of $14 per hour for each of the ten programs under study. Decreases in program payments range from a greater than 30% reduction in School Lunch costs to an almost 80% reduction in Rental Assistance.

This simulation assumes that there would be no employment loss resulting from an increase in wages and, thus, no increase in the number of families participating in programs as a consequence of this employment loss. In fact, most studies show that little or no employment loss has resulted from minimum wage increases in the United States (see Bernstein and Schmidt 1998; Brown 1999; Card and Krueger 1995). In California a number of studies have shown no negative employment effect from increases in the minimum wage in recent years, for increases comparable, in percentage terms, to the increase from the current minimum wage of $6.75 per hour to an $8.00 per hour standard (Card 1992; Reich and Hall 2001; Woods 2002). Even with
very pessimistic assumptions about the employment loss resulting from a wage standard and very generous assumptions about the amount of public assistance that would go to the potential newly unemployed families, we calculate that the savings that would incur from reduced public assistance for workers earning at least $8.00 per hour would be much greater than the additional cost of public assistance to these potentially newly unemployed families.

The following calculations establish an outer limit for the possible effect of a wage mandate on employment and hence on public assistance payments. First, we calculate potential employment loss by using the most pessimistic estimate of the negative employment effect of a wage mandate, provided by Neumark, Schweitzer, and Wascher (1999), vocal critics of minimum wage increases. They suggest that a 10% increase in wages causes about a 1% reduction in employment (i.e., an elasticity of −0.1). According to the CPS, 2.4 million California workers earned $8 an hour or less in 2002. If these workers all earned the minimum wage of $6.75 an hour and received a full $1.25 an hour raise and worked 40 hours a week, wages would increase 18.5% ($1.25 ÷ $6.75) for this set of workers. The elasticity estimate of −0.1 implies that 44,400 workers may lose work because of the wage mandate (2.4 million × 10% × 18.5%).

Second, we calculate the increase in public assistance payments to those families who have, in this exercise, lost their jobs because of an $8.00 wage mandate. Those
losing work might receive the public assistance payments we identified as well as unemployment insurance (UI) benefits. Although less than 45% of unemployed workers actually qualify for UI, and take-up of other public assistance is substantially less than 100%, we will assume all newly unemployed workers will qualify for and will enroll in UI as well as other public assistance. The CPS shows that for non-working families that receive both UI and public assistance benefits, total annual receipts of UI plus public assistance amount to $12,100 per year for those at the seventy-fifth percentile of the distribution of these families. This produces an annual increase in public assistance (including UI) of around $538 million ($44,400 \times $12,100).\footnote{An alternative method of calculating UI benefits is to take 50% of annual earnings at the new $8 per hour wage and assign eligibility and take-up rates. Even high rates of UI eligibility or take-up produce estimates in the same range as the figure in the text.}

When we compare the cost of employment loss—$538 million—to the savings realized with an $8.00 per hour wage mandate—$2.7 billion—we find that the cost would be less than one-fifth of the savings. This calculation uses assumptions that we believe overestimate the added public cost of wage mandates.

**FINDINGS, IMPLICATIONS, AND POLICY RECOMMENDATIONS**

The analysis of the ten California public assistance programs studied here reveals the following key findings:

- Many of the families receiving public assistance are receiving aid not because they are unable to work, but because the work they do does not pay them enough to meet basic needs. Working families (those with at least one member who works at least forty-five weeks per year) comprise over half (53%) of the families enrolled in at least one of the ten programs we analyzed. Of the $21.2 billion of public assistance to low-income families received by California families in 2002, 48%, or $10.1 billion, went to working families.

- Some of the largest programs supporting working families include medical care, the Earned Income Tax Credit (EITC), and Child Care Assistance. Of the $10.1 billion in public assistance expenditures that went to working families, $3.57 billion (35%) was for Medi-Cal, $2.66 billion (27%) for the EITC, and $1.24 billion (12%) for Child Care Assistance.

- The data indicate that most working poor are not employed in sectors that face competition from low-wage states or countries. Workers employed in the sectors that are more likely to face some out-of-state or international competition collectively received about $2.9 billion of public assistance benefits, whereas those in the sectors that face little out-of-state or international competition received about $7.2 billion.

19.
Public assistance was concentrated among workers in several sectors. For instance, workers in the retail industry collectively received over $2 billion of public assistance, over twice the amount received by workers in any other sector.

Most of the public assistance that went to working families went to families with workers earning very low wages: $5.72 billion went to families whose workers had average wages of $8 per hour or less. Another $1.86 billion went to those with wages between $8 and $10 per hour.

Most of the public assistance to working families went to families with full-time workers, dispelling the notion that part-time work largely accounts for the low earnings of poor working families. A total of $7.63 billion, or 76%, went to single-earner families with thirty-four hours or more of work per week plus dual-earner families with seventy hours or more of work per week. Moreover, $8.26 billion dollars, or 82%, of public assistance benefits went to families with the equivalent of at least one full-time job (thirty-four or more hours per week).

The simulation we conducted on wages predicts that a drop in public assistance payments from $10.11 billion to $7.43 billion (a nearly $2.7 billion difference) would occur if the current group of public assistance recipients earned at least $8 per hour. Simply raising wages for workers earning the minimum wage and slightly above would help working families and could potentially save billions of dollars in program expenditures.

The simulation we conducted on employer-provided health insurance predicts that, at current wage levels, public assistance payments would drop from $10.11 billion to $7.91 billion (a $2.2 billion difference) if the working families currently receiving assistance had access to affordable health insurance through their employers. When combined with employer-provided health insurance, payments would fall to $5.41 billion with a wage floor of $8 per hour, $4.38 billion with a wage floor of $10 per hour, $3.71 billion with a wage floor of $12 per hour, and $3.17 billion with a wage floor of $14 per hour.

The findings in this report provide direction for current policy discussions on the costs of the hourglass economy. First, the findings in this report dispel a widely held misperception that part-time work largely accounts for the low earnings of poor working families. Instead, our analysis points to low wages as a primary factor leading workers to turn to public assistance. Pulling this set of families out of poverty and thus reducing their need for public assistance will likely be more dependent on finding ways to improve wages than on finding ways to increase the number of hours that they work. (A different set of policy considerations applies to the 47% of public assistance recipients that are members of families with no year-round workers.)

Second, our simulations show that savings in public assistance payments would be in the billions of dollars if the current group of recipients earned at least $8.00 per hour (savings of nearly $2.7 billion) or had affordable employer-provided health insurance (savings of $2.2 billion). Policies that improve wages and benefits would
allow public assistance programs to reach more families by moving people off waiting lists and into current programs and extending their eligibility.

Finally, the public assistance payments that flow to workers are of a magnitude that can change economic incentives for the businesses in which they are employed. This lends fuel to the growing concern that employers are increasingly relying on public assistance programs to supplement their workers’ wages. Given our current relatively low labor standards, employers face incentives to take the “low road” and shift some of their labor costs to the public. This “crowding out” effect has long been recognized in the public health arena; recent research suggests that it may also apply to the EITC. The policy implication is that programs like the EITC and the minimum wage are complementary, because a binding minimum wage would insure that the benefits from the EITC are not diverted into lower take-home wages. Thus, it is critical to couple public assistance programs for low-wage workers and their families with stronger labor standards, both to make the most effective use of existing public resources and to avoid creating negative incentives for employers.

Overall, this report suggests that public assistance programs could be much more effective if they were combined with policies and programs that improve wages and benefits. Policies to improve compensation fall into two main categories. One set of policies creates a floor on wages and benefits through labor market standards and/or strengthening the right of workers to organize and bargain collectively; the second set helps workers improve their skills while improving the productivity of the businesses in which they work. The two can be seen as complementary strategies. On the one hand, closing off the “low road” through labor market standards removes the incentives that employers currently face to pass on the costs of health care and non-self-sufficiency wages to the taxpayer. On the other hand, paving the “high road” through industrial upgrading and worker training can help employers absorb the costs of higher wages.

**Labor Market Standards**

A wide variety of policies can serve to raise the floor on wages and benefits, including minimum wage laws, living wage policies, benefits mandates, and policies that improve workers’ rights to organize and bargain collectively. Minimum wage increases apply across the board to all businesses. Other policies are targeted to specific industrial sectors; prevailing wage laws in construction provide one example. The recently passed California Health Care Insurance Act (which will be put before the voters in November 2004) would function as a health benefits mandate, requiring firms with more than 50 workers to provide individual health benefits, and firms with 200 or more workers to provide family benefits.

Another set of policies in this category promotes the creation of new jobs that allow workers to become self-sufficient and the upgrading of existing jobs to self-sufficiency level. In contrast, traditional state and local economic development
strategies focus on attracting jobs without considering wages and benefits. Cities and counties around the country have passed living wage ordinances requiring firms that receive public subsidies to meet wage standards. Several California cities and counties are considering policies that would require community impact reports for economic development projects receiving public subsidies. These policies include consideration of wages and health insurance along with other community benefits. In 2002 California distributed $3.5 billion in economic development subsidies to businesses, yet recipients did not—and currently do not have to—offer any accounting of how many jobs were created by the subsidies or what wages and benefits were provided (California Budget Project 2002). Nine states have passed disclosure requirements for economic development projects.20

The costs of labor market standards are greatest when employment is concentrated in sectors that face competition from regions or countries with lower wages. Our findings show that the bulk of workers receiving public assistance are employed in sectors that do not face significant international or even out-of-state competition, reflecting the distribution of low-wage work in the economy at large. In this context, higher wages and benefits are much less likely to result in a significant loss of employment. The disproportionate share of payments to workers in the retail sector suggests that sector-specific strategies, which may be combined with productivity-improving workforce training programs, could be successful. That 30% of the total payments to working families—$3 billion a year—go to workers (and family members) in firms with 500 or more employees suggests that policies could be established that would address “crowding out” without negatively impacting small businesses. To make effective use of public resources, labor standards are best coupled with public assistance programs for low-wage workers and their families. Along these lines, the city of San Francisco, which recently instated an $8.50 per hour minimum wage, is considering a local EITC.

Policies to Improve Workers’ Skills and Firms’ Productivity

Improving workers’ skills is another strategy for improving wages and benefits. Higher skill levels increase workers’ access to good-paying jobs, and they increase firms’ productivity and their ability to compete, and thus their capacity to pay higher wages. Successful strategies along these lines include sectoral training partnerships, which not only link training with complementary efforts to improve the productivity and competitiveness of entire industries within a region but also link productivity improvements with higher compensation. These efforts encourage collaboration among companies and between companies and unions in a specific industry and harness the resources and expertise of organizations such as community-based nonprofits.

20. These states are Minnesota, Maine, Connecticut, North Carolina, Louisiana, Texas, West Virginia, Ohio, and Nebraska; see Greg LeRoy et al. 2002.
community colleges, labor organizations, and others. Sectoral partnerships have a strong record of retaining well-paying jobs, which provide career ladders for incumbent workers and good opportunities for new workers. In a complimentary approach, some Workforce Investment Boards have begun using the self-sufficiency standard as an assessment tool to evaluate the success of their One-Stop centers in moving workers into self-sustaining jobs.

The findings also highlight the importance of improving access to education, a strategy with one of the strongest relationships to income adequacy. Only 9% of adults in families enrolled in public subsidy programs had a college degree, compared to 29% of all adults. Budget shortfalls triggered cuts to course offerings in California’s community college system that fell disproportionately on vocational education and resulted in an enrollment drop of 90,000 students in 2003 (California Community Colleges 2003). Proposed cuts in enrollment and higher tuition at the California State University and University of California systems will disproportionately reduce the access of low-income working family members to higher education. The cuts bring immediate savings to the state budget, but the long-term effect on family income, job attraction, and social service costs must be considered.

In summary, improving conditions for the working poor in California will require a combination of policy solutions. The public assistance programs discussed in this report provide vital support for millions of California’s working poor, and many of these programs are facing probable budget cuts at the very moment that the economic downturn has increased demand for their services. In this context, a fiscally responsible policy approach for improving the lives of the working poor in the state would combine targeted income support programs with policies that establish labor standards, promote the development of self-sufficiency jobs, and increase access to education and training.

REFERENCES


APPENDIX A. Description of the Ten Public Assistance Programs

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable federal tax credit for eligible individuals and families that work and have earned income under $33,692 ($34,692 for married individuals filing jointly). The EITC reduces the amount of tax a worker owes, and it may result in a refund.

To qualify for the credit a worker must have earned income during the year. Total earned income and modified adjusted gross income must be less than: $11,230 ($12,230 for married individuals filing jointly) with no qualifying children; or, $29,666 ($30,666 for married individuals filing jointly) with one qualifying child; or, $33,692 ($34,692 for married individual filing jointly) with more than one qualifying child.
Workers also must have less than $2,600 in investment income to be eligible for the credit. Married persons filing separate returns and qualifying children of another person are ineligible. Members of married couples filing jointly cannot be qualifying children of another person. A qualifying child cannot be used by more than one person to claim the EITC. Detailed information about the EITC is available at http://www.irs.gov/individuals/article/0,,id=96466,00.html.

**CalWORKs (TANF)**

CalWORKs is a welfare program that gives cash aid and services to eligible needy California families. The program serves all fifty-eight counties in the state and is operated locally by county welfare departments. A family that has little or no cash and needs housing, food, utilities, clothing, or medical care may be eligible to receive immediate short-term help. Families that apply and qualify for ongoing assistance receive money each month to help pay for housing, food, and other necessary expenses.

CalWORKs payments are issued in the form of a check. The amount of a family's monthly assistance payment depends on a number of factors, including the number of people who are eligible and the special needs of any of those family members. The income of the family is considered in calculating the amount of cash aid the family receives.

Specific eligibility requirements take into account an applicant's citizenship, age, income, resources, assets, and other factors. Generally, services are available to: families with a child (or children) in the home who has been deprived of parental support or care because of the absence, disability, or death of either parent; families with a child (or children) and both parents in the home, but the principal earner is unemployed; and needy caretaker relatives of a foster child (or children).

More information about CalWORKs is available at http://www.deltacollege.edu/dept/calworks.

**Low Income Heat and Energy Assistance Program**

The Low Income Home Energy Assistance Program (LIHEAP) Block Grant is funded by the federal Department of Health and Human Services (DHHS). It provides two basic types of services. Eligible low-income persons, via local governmental and nonprofit organizations, can receive financial assistance to offset the costs of heating and/or cooling their dwellings, and/or have their dwellings weatherized to make them more energy efficient.

This is accomplished through three program components.

The Weatherization Program provides free services to improve the energy efficiency of homes, including attic insulation, weather-stripping, minor housing repairs, and related energy conservation measures.

The Home Energy Assistance Program (HEAP) provides financial assistance to eligible households to offset the costs of heating and/or cooling dwellings.

The Energy Crisis Intervention Program (ECIP) provides payments for weather-related or energy-related emergencies.

Eligibility for each program component is determined by a verified monthly and annual income adjusted for household size. A detailed table of income guidelines is available at http://www.csd.ca.gov/incometable.html.
Section 8 Rental Voucher Program

The Section 8 Rental Voucher Program increases affordable housing choices for very low-income households by allowing families to choose privately owned rental housing. The public housing authority (PHA) generally pays the landlord the difference between 30% of household income and the PHA-determined payment standard—about 80% to 100% of the fair market rent (FMR). The rent must be reasonable. The household may choose a unit with a higher rent than the FMR and pay the landlord the difference or choose a lower cost unit and keep the difference.

HUD contracts with housing authorities to provide Section 8 assistance to very low-income households, households already assisted under the Housing Act of 1937, and households with incomes up to 80% of the area median that qualify to receive a voucher in connection with other HUD programs. HUD determines median income levels for each area annually. Further details are available at http://www.hud.gov/progdesc/voucher.cfm.

Child Care Assistance

California provides a comprehensive array of child development programs to meet the needs of a variety of parents and children. Relevant programs for this analysis include: General Child Care and Development, Migrant Child Care and Development, Campus Child Care and Development, State Preschool Program, State Preschool Full-Day Program, School Age Community Child Care Program (Latchkey), and CalWORKs Child Care.

By statute, all eligible children must be under the age of thirteen, or under the age of nineteen if physically or mentally incapable of self-care, or under court supervision; children must also (1) reside with a family (a) whose income does not exceed 85% of the State Median Income (SMI) for a family of the same size and (b) in which the parent (or parents) is working or attending a job training or educational program, or (2) receive or need to receive protective services. Income counted to determine eligibility includes all sources of income to the family except: earnings of a child under eighteen years of age; loans, grants, and scholarships obtained under conditions that preclude their use for current living costs; grants or loans to students for educational purposes made or insured by a state or federal agency; allowances received for food, shelter, or uniforms or other work-required clothing; business expenses for self-employed family members; and income of a recipient of federal supplemental security income benefits pursuant to Title XVI of the Federal Social Security Act and state supplemental program benefits pursuant to the Federal Social Security Act and the Welfare and Institutions Code.

According to California Education Code, a family is “income eligible” if a family’s adjusted monthly income is at or below 75% of the SMI, adjusted for family size, and adjusted annually. Further details are available at http://www.cde.ca.gov/cyfsbranch/child_development/downloads/finalplano405.pdf.

Medi-Cal (Medicaid)

Medi-Cal is California’s Medicaid health care program. This program pays for a variety of medical services for children and adults with limited income and resources. Medi-Cal is supported by federal and state taxes. Once eligibility is established, Medi-Cal benefits are available as long as eligibility requirements are met.
An individual is automatically eligible for Medi-Cal if she or he receives cash assistance under one of the following programs: SSI/SSP (Supplemental Security Income/State Supple-
mental Program); CalWORKs (California Work Opportunity and Responsibility to Kids)—
previously called Aid to Families with Dependent Children (AFDC); Refugee Assistance; and
Foster Care or Adoption Assistance Program.

Individuals not receiving cash assistance may be eligible for Medi-Cal if they are one of
the following: age sixty-five or older, blind, disabled, under twenty-one years of age, preg-
nant, diagnosed with breast or cervical cancer, in a skilled nursing or intermediate care facil-
ity, a person with refugee status during a limited period of eligibility (adult refugees may or
may not be eligible depending upon how long they have been in the United States), a parent
or caretaker relative of a child under twenty-one years of age. Also eligible is a child whose
parent (a) is the primary wage earner and is unemployed or underemployed, or (b) is de-
ceased or doesn’t live with the child, or (c) is incapacitated.


**Healthy Families Program (SCHIP)**

The Healthy Families Program is a state- and federally funded health coverage program
for children up to the age of nineteen whose family incomes are above the level eligible for
no-cost Medi-Cal and below 250% of the federal poverty income guideline ($38,160 for a
family of three) and who have been without employer-sponsored health insurance in the last
three months.

Parents, legal guardians, stepparents, foster parents, or caretaker relatives may apply for
insurance for a child living in their home. Only the parents' income will be considered. The
income of a legal guardian, stepparent, foster parent, or caretaker relative who lives with a
child will not be used to qualify the child for the program. Additional qualification criteria
are available at http://www.healthyfamilies.ca.gov/English/about_join.html.

**Nutrition Program for Women, Infants, and Children**

The Special Supplemental Nutrition Program for Women, Infants, and Children—better
known as the WIC program—serves to safeguard the health of low-income women, infants,
and children up to the age of five who are individually determined to be at “nutrition risk” by
a health professional. WIC provides nutritious foods, nutrition counseling, and referrals to
health and other social services to participants at no charge.

WIC is not an entitlement program; that is, the U.S. Congress does not set aside funds to
allow every eligible individual to participate in the program. Instead, WIC is a federal grant
program for which Congress authorizes a specific amount of funding each year for program
operations. The Food and Nutrition Service, which administers the program at the federal
level, provides these funds to WIC state agencies (state health departments or comparable
agencies) to pay for WIC foods, nutrition counseling and education, and administrative costs.

To be eligible, an applicant’s income must fall at or below 185% of the federal poverty
income guideline (currently $33,485 for a family of four). A person who participates or has
family members who participate in certain other benefit programs, such as the Food Stamp
Program, Medicaid, or Temporary Assistance for Needy Families, automatically meets the in-
come eligibility requirement. Detailed information about the program is available at http://
Food Stamp Program

The Food Stamp Program serves as the first line of defense against hunger. It enables low-income families to buy nutritious food with coupons and Electronic Benefits Transfer (EBT) cards. Food stamp recipients spend their benefits to buy eligible food in authorized retail food stores. The program is the cornerstone of the federal food assistance programs, and it provides crucial support to needy households and to those making the transition from welfare to work.

Households may have $2,000 in countable resources, such as a bank account. Households may have $3,000 if at least one person is age sixty or older or is disabled. Certain resources are not counted, such as an applicant’s home and lot and the resources of people who receive Supplemental Security Income (SSI) or benefits under the Temporary Assistance for Needy Families (TANF) program. Detailed eligibility guidelines are available at http://www.fns.usda.gov/fsp/applicant_recipients/fs_Res_Ben_Elig.htm.

National School Lunch Program

The National School Lunch Program is a federally assisted meal program operating in more than 99,800 public and nonprofit private schools and residential child care institutions. It provides nutritionally balanced, low-cost or free lunches to more than 26 million children each school day. In 1998 Congress expanded the National School Lunch Program to include reimbursement for snacks served to children (through eighteen years of age) in after-school educational and enrichment programs.

The Food and Nutrition Service administers the program at the federal level. At the state level, the National School Lunch Program is usually administered by state education agencies, which operate the program through agreements with school authorities.

Any child at a participating school may purchase a meal through the National School Lunch Program. Children from families with incomes at or below 130% of the federal poverty income guideline are eligible for free meals. Those with incomes between 130% and 185% of the poverty guideline are eligible for reduced-price meals, for which students can be charged no more than forty cents. Children from families with incomes over 185% of the poverty guideline pay full price, although their meals are still subsidized to some extent. Local school authorities set their own prices for full-price (paid) meals, but they must operate their meal services as nonprofit programs.

After-school snacks are provided to children on the same income eligibility basis as school meals. Snacks are free, however, in programs that operate in areas where at least 50% of students are eligible for free or reduced-price meals.


APPENDIX B. The Combined Administrative and CPS Data Set

To carry out our analysis we needed to combine the detailed information available in the Current Population Survey (CPS 2000–2002) with the government administrative data on program enrollment and costs. This was necessary because the administrative data, which are derived from the programs themselves, rather than the self-reported responses of a small sample of California households, are a more accurate source of enrollment and cost information than the CPS. In addition, the CPS’s self-reported values of cash transfers (such
as CalWORKs or EITC) and the estimated “fungible” values of non-cash payments (such as Medicaid) are unreliable measures of how much the benefits are costing taxpayers. We assume that although the CPS may result in an over- or undercount of program participation, this discrepancy is evenly distributed vis-à-vis the CPS household and demographic characteristics, resulting in an unbiased sample of households across all the other variables we use in this analysis.

Therefore, our task was to adjust the CPS enrollment figures to reflect official administrative statistics. The discrepancy can be substantial for particular programs. To quantify this potential discrepancy, we compiled specific administrative enrollment and benefit costs for California for the ten programs examined in this report.

As shown in the table below, there are indeed substantial differences between the CPS-based estimates and the administrative figures for enrollment and benefit costs.

<table>
<thead>
<tr>
<th>Administrative Data</th>
<th>CPS Data</th>
<th>CPS Over- or Undercount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Level Data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medi-Cal (Medicaid)</td>
<td>4,598,047</td>
<td>3,692,319</td>
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<tr>
<td>Earned Income Tax Credit (EITC)</td>
<td>2,272,298</td>
<td>2,084,120</td>
</tr>
<tr>
<td>CalWORKs (TANF)</td>
<td>1,390,529</td>
<td>1,023,126</td>
</tr>
<tr>
<td>Child Care Assistance</td>
<td>584,385</td>
<td>162,446</td>
</tr>
<tr>
<td>Food Stamp Program</td>
<td>1,741,007</td>
<td>1,572,003</td>
</tr>
<tr>
<td>Nutrition Program for Women, Infants, and Children (WIC)</td>
<td>1,266,813</td>
<td>1,345,075</td>
</tr>
<tr>
<td>Healthy Families (SCHIP)</td>
<td>561,631</td>
<td>489,566</td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>2,582,835</td>
<td>2,215,934</td>
</tr>
<tr>
<td>Family Level Data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 8 Rental Voucher Program</td>
<td>295,588</td>
<td>195,138</td>
</tr>
<tr>
<td>Low Income Heat and Energy Assistance Program (LIHEAP)</td>
<td>191,963</td>
<td>227,310</td>
</tr>
</tbody>
</table>

Most programs have an undercount in the CPS of between 8% and 34%. Two notable exceptions are Energy Assistance, which has an 18% overcount, and Child Care Assistance, which has a very large undercount of 72%.

To address this discrepancy, we adjusted the CPS data on enrollment and benefit costs using the administrative figures. We used administrative figures for overall enrollment to adjust the population weights in the CPS dataset. Specifically, we multiplied the population weight by the ratio of the number of enrollees from the administrative data to the number of enrollees estimated from the CPS. This ensured that the CPS-based analysis produced an aggregate enrollment that matched the administrative data. When non-enrollees were used in the analysis (for example, in our simulations), their weights were reduced to make sure the total state population was the same as the original CPS figure. In addition, since the benefit amounts are likely to vary between working family members and members of families with no year-round workers, for each program we adjusted the individual CPS benefits by the ratio of average administrative benefit level to average CPS benefit level. Details of this adjustment vary somewhat from program to program and are provided below. Note that whereas we feel comfortable with this adjustment for most programs, the severity of the
undercount in the case of Child Care Assistance means that one should be cautious regarding estimates for that program.

PROGRAM ENROLLMENT VARIABLE CONSTRUCTION
AND COST ADJUSTMENT METHODOLOGY

Earned Income Tax Credit

The CPS identifies EITC recipients in the data set at the individual level using the EIT-CRED variable to report the total credit received. Administrative data report enrollment at the individual level. The EIT-CRED value was assigned to the individual recipient and applicable family members as both a yes/no variable (p_eitec, f_eitec) and a total value (p_eitec_v, f_eitec_v). The adjusted CPS value (f_eitec_a) was calculated by multiplying the ratio of p_eitec_v to its mean by the per capita cost of administrative cost to CPS reported enrollment, then aggregating the result (p_eitec_a) to the level of the family (f_eitec_a).

Section 8 Rental Voucher Program

The CPS identifies Section 8 recipients at the family level using the FHOUSSUB variable and the monthly value of the benefit using FHOUSVAL. Administrative enrollment is based on the number of vouchers in use, which are usually given to the family's reference person. Because our construction of the family variable is more restrictive than that used in the CPS data, it may be possible that more than one “family” is receiving benefits under one voucher and that some cases are double-counted during the calculation of the CPS's total annual amount. To remedy this problem we identified individuals in families receiving the benefit (p_sec8) and calculated the annual per person per family cost of Section 8 benefits (p_sec8_v) using the CPS's original family ID, then summed the values to the level of our new family ID to create a new family designation (f_sec8), which corresponds to the FHOUSSUB variable and a correct annual cost (f_sec8_v). This then allowed us to calculate the adjusted CPS value (f_sec8_a) using the methodology described above.

Low Income Heat and Energy Assistance Program

The LIHEAP program is coded at the household level for both enrollment (HENGAST) and value (HENGVAL) in the CPS. Administrative enrollment figures are also at the household level. This variable presents a similar situation as above, and we used the same methodology to calculate the per-person, per-family benefit value (p_heap_v) and family-adjusted value (f_heap_a).

CalWORKs (TANF)

The CPS reports CalWORKs recipients at the individual level as both a yes/no variable (PAWYN) and a total value (PAWVAL) for all recipients. Administrative enrollment is reported at the individual level. Persons were assigned both a yes/no variable (p_tanf) and value (p_tanf_v). Families were assigned a corresponding yes/no variable (f_tanf) and a total value
(f\_tanf\_v), which is the sum of p\_tanf\_v for all family members. Using the methodology described above, the adjusted CPS value (p\_tanf\_a) is the product of the ratio of p\_tanf\_v to its mean and the per capita cost of administrative cost to CPS reported enrollment. The values were summed across the family to calculate the f\_tanf\_a variable.

**Medi-Cal (Medicaid)**

The CPS reports Medicaid take-up (MCAID) and market value (P\_MVCAID) at the individual level. Administrative enrollment is reported at the individual level with different average costs for children under the age of eighteen and adults, and separately for those who are elderly or disabled. Each recipient was identified either as a youth (py\_caid) or an adult (pa\_caid). Families were assigned a value of the sum of P\_MVCAID for all recipients in the family who were (a) not disabled, and (b) not 65 years of age or older. Adjusted CPS values at both the individual (pa\_aid\_a, py\_aid\_a) and family levels (f\_caid\_a) were calculated using the same methodology described above.

**Food Stamp Program**

The CPS reports food stamp recipients at the household level (HFOODSP) and market value at the family level (F\_MV\_FS). Administrative enrollment figures are for all persons in a family receiving benefits. To calculate adjusted CPS costs all persons with a family food stamp market value above zero were assigned yes/no (p\_fs) and value (p\_fs\_v) variables. The methodology described above was used to calculate an adjusted individual value (p\_fs\_a), which was then summed across the family (f\_fs\_a).

**National School Lunch Program**

The CPS reports take-up of free and reduced-price school lunches at the household level (HFLUNCH) and market value of school lunches at the family level (F\_MV\_SL). Administrative data report enrollment as the number of children receiving the benefit. In addition to the inconsistency between the units of measure for CPS and administrative enrollment, there is a wide discrepancy between the family and household variables in the CPS since some families with a positive school lunch market value are not identified as being in households receiving a free or reduced-price lunch. To correct for this, all eligible children in households receiving the benefit or in families with a positive market value were assigned the variable p\_sl2. The sum of enrolled children was aggregated to the level of the family (f\_sl2\_n), which allowed the calculation of the per capita CPS (p\_sl2\_v) and adjusted CPS (p\_sl\_a) values of school lunch benefits using the methodology described above. The adjusted value was summed to the level of the family (f\_sl2\_a).

**Child Care Assistance**

The CPS identifies the persons (adults) who received child care assistance benefits (CCAYN) in 2001 and the number of persons in a household receiving the benefit (HRNUMCC), whereas the administrative data report the number of children served annually. To reconcile these two data sets, the eligible children in households receiving the benefit were identified as
then aggregated at the family level as $f_{cca}$. Since there is no CPS reported market or fungible value for the assistance benefits, each case was assigned a ratio of 1 when using the methodology described above for calculating the total family value.

**Healthy Families (S-CHIP)**

The CPS identifies children who were enrolled in the State Child Health Insurance Program in 2001 (PCHIP). Administrative data specify the number of children enrolled in the program. Since there is no CPS reported market or fungible value for the assistance benefits, each case was assigned a ratio of 1 when using the methodology described above for calculating the total family value.

**Nutrition Program for Women, Infants, and Children**

The CPS identifies mothers and pregnant women receiving WIC benefits ($WICYN$), but not their children. Administrative data provide enrollment figures for all persons in the program. Children of enrolled mothers were identified based on eligibility and, along with their mothers, assigned a yes/no value ($p_{wic}$). Since there is no CPS reported market or fungible value for the assistance benefits, each case was assigned a ratio of 1 when using the methodology described above for calculating the total family value.

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California made history on September 23, 2002, when the nation’s first comprehensive paid family leave program was signed into law by former governor Gray Davis. Benefits provided by this pioneering legislation became available to most working Californians starting on July 1, 2004. The new law provides up to six weeks of partial pay—55% of weekly earnings up to a maximum of $728 per week—for eligible employees who need time off from work to bond with a new child or to care for a seriously ill family member. The program, funded entirely by a payroll tax on employees, builds on California’s existing State Disability Insurance (SDI) system, which for many years has provided income support for employees’ medical and pregnancy-related leaves. Like SDI, the new paid family leave program is extensive (although not universal) in coverage: apart from some self-employed persons, virtually all private sector employees are included.\(^1\)

California’s new law is especially valuable for the growing numbers of low-wage workers, many of them female, who currently have limited access to employer-sponsored fringe benefits providing paid time off (such as paid sick leave and paid vacation). Until July 1, 2004, such benefits were the main sources of income support for employees who took leaves from work to bond with a new child or to provide care for a seriously ill family member.

After briefly reviewing the various developments contributing to the recent growth in demand for time off from work as well as the political processes that led to the passage of California’s pioneering paid family leave legislation, this chapter analyzes new data on paid family leave from two recent state-level surveys—the fall 2003 Golden Bear Omnibus (GBO) survey of California adults and the 2003 Survey

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This research is part of the UCLA California Family Leave Research Project, funded by the Sloan Foundation, the National Institute for Child Health and Human Development, and the UC Institute for Labor and Employment. This chapter expands and updates the project’s June 2004 Research Brief of the same title. Thanks to Patricia Donze, Claudia Solari, and Anita Yuan for research assistance, and to Joannie Chang and Judith Seltzer for comments on an earlier draft.

1. Self-employed individuals are covered only if they participate in the SDI Elective Coverage Program. Public sector employees are generally not eligible unless they participate in SDI. For more details see http://www.edd.ca.gov/direp/pflfaq1.asp.
of California Establishments (SCE) of employers.² Although California adults responding to the GBO survey expressed overwhelming support for the idea of paid family leave, their awareness of the new law was surprisingly limited, with only about one in five respondents indicating that they were familiar with it. Awareness of the new law was especially low among the groups that are least likely to have access to employer-sponsored paid time off: women, low-wage workers, immigrants, and disadvantaged racial-ethnic groups. Ironically, these same groups expressed disproportionately favorable attitudes toward the idea of paid leave.

The survey data also provide insight into the ways in which, prior to the implementation of the new law, employers and employees in the state handled the kinds of events that the paid family leave program now covers. Many employed Californians have taken family leaves in the past, the GBO data show. And the data from the SCE survey reveal that many employers in the state—especially those that are unionized, those with large numbers of employees, and those with a relatively large proportion of professional, managerial, and technical employees—already provided family and medical leave benefits beyond those required by law before the establishment of the new paid family leave program. The recent extension of such benefits to the much larger population covered by the legislation passed in 2002 could be its most far-reaching effect; realizing that potential, however, will require increasing public awareness of the law substantially.

BACKGROUND

As family and work patterns have shifted over recent decades, the demand for time off from work to address family needs has become increasingly urgent. Three key factors have contributed to the expanding need for family leave: the dramatic growth of female labor force participation, especially among married women and mothers; the growing demand for eldercare; and the increasing (if still relatively small) number of men who participate in family caregiving. The leave-related needs of employees vary, however, particularly in light of the steady growth of income inequality in recent decades. Although long working hours are an especially serious problem among high-income professionals and managers, most of them have access to some form of

². Both surveys are more fully described in the Appendix. The GBO was a random digit telephone survey of 1,050 California adults, conducted from September 17 through November 22, 2003, that examined public attitudes about paid leave, public awareness of the new law, employees' previous experience with family and medical leave, and employees' expectations about future needs for leave. The SCE was a telephone survey of 1,080 businesses and nonprofit organizations, conducted from May 13 through October 22, 2003, that included questions on the extent to which California employers provided family and medical leave benefits beyond what was legally required prior to the implementation of the new law, as well as employers' previous experience with such leaves.
income support during any leaves from work that they might take. The need for financial support during leaves from work is increasingly acute for those in households at the bottom and middle layers of the income distribution, however, as real incomes for this group of workers have stagnated or declined in recent years (see Jacobs and Gerson 2004).

For most of the postwar era, the lack of provision for family leave in public policy has distinguished the United States from the rest of the advanced industrial world. All across Europe and in many other regions as well, government policies established decades ago have provided mothers (and, in many countries, fathers) with wage replacement and job security for extended periods immediately before and after the birth of a new child (Gornick and Meyers 2003; Heymann et al. 2004; Kamerman and Kahn 1991). Among other effects, the availability of such leaves reduces the wage penalties associated with motherhood and thus may help decrease the extent of gender inequality in the labor market (Lester forthcoming; Rose and Hartmann 2004; Waldfogel 1998). Many countries provide additional forms of paid family leave as well.

In the United States the only major legislation of this type is the 1993 federal Family and Medical Leave Act (FMLA), the first bill then-president Bill Clinton signed into law after taking office. The FMLA guarantees up to twelve weeks of job-protected but unpaid leave, with continuing fringe benefits. It covers all public sector workers, as well as private-sector workers who work for organizations with fifty or more employees on the payroll at or within seventy-five miles of the worksite. The law is gender-neutral, applying equally to males and females who worked 1,250 or more hours in the year preceding the leave.

Over the past decade FMLA has led to greater availability of time off from work for U.S. workers, with many employers expanding their family and medical leave benefits after it became law (see Waldfogel 1999, 2001). Although organized business groups consistently and actively opposed the FMLA prior to its passage (Bernstein 2001), since that time employers appear to have had little difficulty adhering to its provisions. A U.S. Department of Labor employer survey conducted in 2000 found that almost two-thirds (63.6%) of respondents found it “very easy” or “somewhat easy” to comply with FMLA, and even larger majorities reported that the 1993 law had had “no noticeable effect” or a “positive effect” on productivity (83.6%) or profitability (90.2%) (U.S. Department of Labor 2001).

FMLA’s coverage is limited to only about half of all workers, however, and less than a fifth of new mothers (Ruhm 1997: 177). Moreover, because the leaves it provides are unpaid, even workers who are covered by FMLA often cannot afford to

3. Among respondents to a 2000 national survey on family and medical leave conducted for the U.S. Department of Labor, 87.6% of salaried employees received pay while on leave, compared to only 54.0% of hourly employees (U.S. Department of Labor 2001: A-2–31).
4. A somewhat different version of the FMLA had been passed in 1991 by both houses of the U.S. Congress but was vetoed by the first President Bush. For details see Bernstein 2001, chapter 5.
take advantage of them. This problem is particularly acute for the growing ranks of low-income workers, who are the least likely to have access to employer-provided paid sick leave, paid vacation, and similar benefits—in practice the main source of income support during otherwise unpaid family and medical leaves. One recent study found that families in the top quartile of the nation’s income distribution had the most extensive such benefits, but that “families in the bottom quartile of income were significantly more likely to lack paid sick leave, paid vacation leave, and flexibility (in regard to work schedules) than were families in the upper three quartiles.” Moreover, although women continue to shoulder the bulk of family caregiving responsibilities, employed mothers had significantly less access to paid sick leave and paid vacations than did employed fathers, and mothers were also less likely than fathers to have flexible working hours (Heymann 2000: 114, 152).

In the absence of paid family and medical leave, working families are often forced to choose between economic security and providing vital care for ill children and elderly parents. Nationally, two-thirds of low-income mothers and more than one-third of moderate- and upper-income mothers lose pay when they miss work because a child is sick (Kaiser Family Foundation 2003). Parents who have paid sick leave or vacation are five times more likely to stay home with a sick child than are those who lack such benefits, and it is well-documented that ill children recover more quickly when their parents are present (American Academy of Pediatrics 2003; Heymann 2000: 57–59; Ruhm 2000). In addition, almost 40% of working Americans provide unpaid assistance to their elderly parents during periods of serious illness (Heymann 2000: 103). This too involves lost hours of work (and thus lost income) and can generate other negative employment consequences for caregivers. And although a significant (if not uncontestable) body of evidence suggests that parental time at home, especially during infancy, is beneficial to child health and development (Gornick and Meyers 2003: 242–245), many new parents cannot afford to leave work for any length of time.

The recent implementation of California’s 2002 law, with its nearly universal private sector coverage, is a major breakthrough in addressing the unmet need for paid leave, especially among workers who previously had little or no access to wage replacement during leaves. Unlike FMLA, the new state law covers all private sector employees, regardless of the size of the organization they work for, including most part-time workers and others unlikely to have access to paid time off benefits through their employer. The paid family leave program is structured as an insurance benefit, building on the state’s longstanding SDI program. As with SDI, there are no direct costs to employers: the wage replacement benefit is funded entirely by an employee payroll tax (capped at $55.06 per worker per year for 2004 and at $63.53 for 2005) that took effect on January 1, 2004. Eligible workers can receive, after a

5. To be eligible they must only have earned $300 or more during any quarter in the “base period,” which is five to seventeen months before filing a claim.
one-week waiting period, up to 55% of their normal weekly earnings with a maximum of $728 per week in 2004 (the maximum is indexed in relation to the state's average weekly wage) for up to six weeks a year. These family leave benefit payments (unlike SDI benefits) have been deemed taxable by the U.S. Internal Revenue Service, although the state has requested reconsideration of this decision, and a final determination is still pending at this writing.

Even before the passage of the new law in 2002, California provided more income support for family leave than most other states did. For many years California has been among a handful of states that provide paid leave for pregnant women through its SDI program. Almost all pregnant women employed in the private sector, as well as some in the public sector, can receive partial wage replacement under SDI for four weeks before delivery, and an additional six to eight weeks afterward. And since the late 1970s, the California Fair Employment and Housing Act (FEHA) has given women who are disabled because of pregnancy, childbirth, or related medical conditions the right to up to four months of job-protected leave. The California Family Rights Act (CFRA), passed in 1991 (two years before FMLA), provided additional leave rights; it was amended in 1993 to conform with the federal law. Used together, the FEHA and the CFRA permit a pregnant woman disabled because of pregnancy to take up to four months' leave as well as an additional (unpaid but job-protected) leave for bonding with a new child extending beyond what the federal law provides, up to a total of four months. A 1999 amendment to the state's FEHA requires that employers with five or more employees provide reasonable accommodations to pregnant women. And a 1999 kin care law requires that California employers who provide paid sick leave allow employees to use up to half of it each year to care for sick family members. Table 2.1 summarizes the key provisions of these various California laws.

The new paid family leave law builds on the SDI system to provide six weeks of partial wage replacement for leaves to care for a new child or seriously ill family member. Eligible leaves include those for bonding with a new biological, adopted, or foster child; this new benefit is available to fathers as well as mothers. (For biological mothers, this benefit supplements the pregnancy disability benefits previously available under SDI. Although it does not increase the amount of job-protected leave available to women who have given birth, it does provide six additional weeks of partial wage replacement.) Also eligible are leaves to care for a seriously ill family member (a parent, child, spouse, or domestic partner). Workers can apply for paid

6. For more details see http://www.edd.ca.gov/direp/pflfaq1.asp.
7. Fred Darbonnier, U.S. Internal Revenue Service (IRS), to Rick Stevens, State of California Employment Development Department (EDD), December 18, 2003; and Terence R. Savage, EDD, to Cheryl Powers, IRS, February 6, 2004. Copies of this correspondence are in the authors’ possession.
8. Four other states (Hawaii, New Jersey, New York, and Rhode Island) and Puerto Rico have similar temporary disability insurance programs.
<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>State Disability Program created as Temporary Disability Insurance (TDI), with pregnancy specifically excluded.</td>
</tr>
<tr>
<td>1973</td>
<td>TDI extended to cover disability tied to “abnormal” pregnancies (normal pregnancies remain excluded).</td>
</tr>
<tr>
<td>1976 effective 1977</td>
<td>TDI amended to cover disabilities tied to normal pregnancies for three weeks before and three weeks after delivery.</td>
</tr>
<tr>
<td>1979 effective 1979</td>
<td>State Fair Employment Practices Act amended to cover pregnancy discrimination and provide up to four months job-protected leave for pregnancy-related disability. Small employers (with less than five employees) exempted.</td>
</tr>
<tr>
<td>1979</td>
<td>TDI program amended to repeal all provisions specific to pregnancy, in effect entitling disabled pregnant women to the same benefits as employees with any other type of disability. (In 1979, the maximum leave under TDI was twenty-six weeks per year; that maximum has since been increased to fifty-two weeks per year, with medical certification required.)</td>
</tr>
<tr>
<td>1991 effective 1992</td>
<td>California Family Rights Act gives private sector employees of both genders whose employers have fifty or more workers the right to four months job-protected family leave to care for a newborn or adopted child or a seriously ill family member.</td>
</tr>
<tr>
<td>1992</td>
<td>State Fair Employment and Housing Act amended to require employers with five or more employees to provide job-protected leave of up to four months for employees disabled by pregnancy.</td>
</tr>
<tr>
<td>1993</td>
<td>Federal Family and Medical Leave Act gives all public sector employees, and private sector employees of both genders whose employers have fifty or more workers, the right to twelve weeks of job-protected unpaid family or medical leave.</td>
</tr>
<tr>
<td>1999 effective 2000</td>
<td>“Kin Care” legislation requires that employers who provide paid sick leave must permit employees to use up to 50% of annual allotment to care for a sick child, parent, or spouse.</td>
</tr>
<tr>
<td>2002 effective 2004</td>
<td>SDI (formerly TDI) amended to provide Paid Family Leave of up to six weeks per year for bonding with a newborn, adopted, or foster child or for caring for a seriously ill family member.</td>
</tr>
</tbody>
</table>

= federal legislation  = state legislation.
family leave under the program after a one-week waiting period, and they must submit appropriate documentation to the state’s Employment Development Department. The new law does not provide job protection or guarantee the continuation of fringe benefits (although in many cases leave-takers have these additional protections under the FMLA, the CFRA, or other laws). Employers may require workers to take up to two weeks of earned (unused) vacation leave before collecting paid family leave benefits from the state; in such cases this vacation period is concurrent with the one-week waiting period under the new law.

California’s paid family leave law was actively promoted by a coalition of labor unions, women’s rights advocates, and groups representing the interests of seniors, children, the disabled, and others, many of whom had previously been advocates of more extensive governmental support for family leave. The political momentum for the new law accelerated during the late 1990s. Organized labor—who at the peak of its political power—had successfully pressed for an increase in California’s SDI benefit in 1999, following a period of economic upsurge that generated large budget surpluses for the state. The same legislation that raised the level of SDI benefits at this time also mandated the state’s Employment Development Department to launch a study of the potential costs of providing paid family leave through SDI. That study was completed in the summer of 2000, and the following year a newly established Coalition for Paid Family Leave launched a full-fledged campaign for a state paid family leave law. The coalition’s members included the Labor Project for Working Families and the California Labor Federation.9 At labor’s request, State Senator Sheila Kuehl, an influential Los Angeles Democratic legislator, agreed to introduce the bill. She did so in February 2002, and six months later the law was passed by both houses of the state legislature (Labor Project for Working Families 2003).

The California Chamber of Commerce and other business groups vigorously opposed the proposed law from the outset, arguing that it would impose excessive burdens on employers, especially small businesses, and drive them out of the state (Koss 2003). By 2002 the economic climate had deteriorated considerably from the point at which the campaign was launched, which made some legislators especially attentive to these employer concerns. Although the organized business campaign did not succeed in preventing the bill’s passage, the final version of the law was considerably modified from the initial proposal as a result of this opposition. Whereas the original bill had provided twelve weeks of paid family leave, with costs evenly split between a tax on employers and one on employees, lobbying by organized business did lead to elimination of the employer tax. Ultimately employees alone were required to pay the full costs of the program, and the benefit was cut back to six weeks. Pressure from business groups also resulted in

9. The coalition also included the Family Caregivers’ Alliance, Equal Rights Advocates, the Asia Law Caucus, California NOW, the Employment Law Center, the California Congress of Senior Citizens, and many other unions and community organizations.
an amendment providing that employers could require employees to use up to two weeks of paid vacation time before receiving the paid family leave benefit. With these modifications, the bill was passed in August 2002, and it was signed into law by then-governor Gray Davis the following month (Labor Project for Working Families 2003).

PUBLIC SUPPORT FOR PAID FAMILY LEAVE

The survey data we report on here reveal extensive public support for paid family (and medical) leave among Californians—something legislators and Davis were presumably well aware of when they brought the law into existence. The GBO survey (for which data were collected in the fall of 2003, about a year after the legislation had been signed) found that 84.9% of respondents favored paid leave when asked, “Do you favor or oppose the idea of a law that guarantees that eligible workers receive a certain portion of their pay when they take family or medical leave?” As Figure 2.1 shows, although there is some variation in the extent of support, large majorities favored paid leave in virtually every segment of the state’s population. Indeed, in all the demographic groups shown in Figure 2.1, at least three-quarters of Californians favored such a law—regardless of their gender, race or ethnicity, nativity, education, or political orientation.

As one might expect, those most in need of paid leave were the most positively inclined toward the idea: female respondents favored the idea more frequently than males did; African Americans, Asian-Pacific Islanders, and Latinos favored it more than Whites; and foreign-born respondents more than the native-born. In addition, paid leave was supported by liberals more than by conservatives or moderates; by less-educated respondents more than by those with at least some post-secondary education; and by young respondents more than by older ones. A somewhat higher proportion (86.9%) of respondents in the Los Angeles metropolitan area favored the idea of paid family leave, compared to 81.7% of their counterparts in

10. An earlier survey of California adults conducted for the UC Institute for Labor and Employment during the second half of 2001 and continuing through January 2002 found that 78% of respondents supported paid family leave. This figure is not directly comparable to the data we report below, however, since the questions were worded differently (see Weir 2002: 128).

11. Here and throughout the discussion of the survey data in this paper, the term “Latino” refers to what many data collection agencies call “Hispanic,” while “African Americans” refers to what many call “Blacks.” The terms “African American,” “White” and “Asian-Pacific Islander” all refer here to non-Hispanic persons from those racial/ethnic groups.

12. All these relationships are statistically significant, with p < .05 using an F-statistic for all variables (other than geography) shown in Figure 2.1 except nativity, for which p = .07. (See the Appendix for details on the tests of significance used in the analysis.)
the San Francisco Bay metropolitan area, although this difference is not statistically significant.\footnote{For recent evidence that present-day Southern Californians are more favorable toward a variety of forms of state intervention to support social needs, see Weir 2002: 111–119.}

The minority (15.1\%) of respondents who opposed the law have a rather distinctive profile: 38.4\% of them were native-born White males thirty-five years old or more who self-identified politically as “conservative” or “moderate”; another 24.5\% were native-born White females in the same age group and with a similar political self-identification.\footnote{These percentages are based on a denominator of 159 GBO respondents who opposed paid family leave and for whom data were available on gender, race, ethnicity, nativity, age, and political self-identification. Those who indicated “none” when asked about their political ideology or who stated they “hadn’t thought about it” were omitted from this part of the analysis. Within this group (n = 159) who opposed paid family leave, 37 (23.2\%) were conservative White native-born men thirty-five years old or more; 24 (15.1\%) were moderate White native-born men thirty-five years old or more; 21 (13.2\%) were conservative White native-born women thirty-five years old or more; and 18 (11.3\%) were moderate White native-born women thirty-five years old or more.}

Males were 2.5 times more likely than females to oppose the
law; Whites were 2.1 times more likely than Latinos to do so; respondents who self-identified as politically conservative were 2.1 times as likely to oppose the law as those who considered themselves liberal; and older individuals were about twice as likely to oppose it as those under thirty-five years old, holding other factors constant.\footnote{15} While all these variations are significant, it is nevertheless the case that the overwhelming majority of respondents in all major demographic groups favored the idea of paid leave.

**PUBLIC AWARENESS OF FAMILY AND MEDICAL LEAVE LAWS**

When the GBO survey was conducted in the fall of 2003, relatively few Californians were aware of the state’s recently legislated program: only 22.0\% of respondents responded affirmatively when asked, “Have you seen, read or heard anything about a new California law scheduled to go into effect next year, that provides up to six weeks of paid family and medical leave for eligible workers at 55\% of their weekly earnings, up to a maximum of $728 per week?”\footnote{16}

Knowledge of the new law varied considerably among key segments of the state’s population, as Figure 2.2 shows. It is striking that the lowest level of awareness was found among precisely those groups who are least likely to have access to employer-provided paid leave. Less-educated respondents were less aware of the new law than were those with at least some post-secondary education; low-income respondents (with household incomes of $25,000 or less) were less aware than those with higher incomes; younger respondents (aged 18–34) were less aware than older ones; and female respondents were somewhat less aware of it than males were. Foreign-born respondents were less aware of the new state law than were the native-born, and Latino respondents less so than those from other ethnic groups. In contrast, African American respondents had the highest level of awareness among the four racial/ethnic groups shown in Figure 2.2.\footnote{17}

The decade-old FMLA is much better known to Californians: 58.9\% of respondents indicated that they were aware of the federal law. This is consistent with

\footnote{15} These odds ratios are estimated from a weighted logistic regression analysis of the GBO data (n = 917) in which opposing paid family leave is the dependent variable; gender, age, political ideology, race/ethnicity, nativity, and income are the independent variables. (Education was omitted due to its collinearity with income; the results change only slightly when income is omitted instead.) The results in the text are all statistically significant at the p < .05 level, except for race/ethnicity, for which p = .08.

\footnote{16} Ramos et al. (2004) report on another survey (using a convenience sample) that also found low levels of awareness of the new law.

\footnote{17} All these relationships, except for gender, are statistically significant, with p < .05 using an F-statistic for all variables (other than gender) shown in Figure 2.2 except nativity, for which p = .06. A weighted logistic regression analysis using these variables yielded statistically significant results only for age.
FIGURE 2.2. Awareness of California’s Paid Family Leave Law, by Selected Characteristics, Fall 2003

SOURCE: Golden Bear Omnibus survey.
NOTE: The categories “Whites” and “African-Americans” include non-Latinos only.
N = 1,040 for education; 783 for income; 1,033 for age; 1,046 for gender; 1,043 for nativity; and 1,023 for race/ethnicity.

FIGURE 2.3. Awareness of Federal Family and Medical Leave Act in California, by Selected Characteristics, Fall 2003

SOURCE: Golden Bear Omnibus survey.
NOTE: The categories “Whites” and “African-Americans” include non-Latinos only.
N = 1,038 for education; 780 for income; 1,031 for age; 1,044 for gender; 1,041 for nativity; and 1,021 for race/ethnicity.
previously reported national and state survey data on awareness of FMLA. The variation in awareness of FMLA among different subgroups of GBO respondents is generally similar to that for the new California law, as Figure 2.3 shows, except that female respondents were more likely than males were to be familiar with the FMLA. Once again, low-income respondents were far less likely than those with higher incomes to be aware of the law. Foreign-born respondents, younger respondents, and those with less education were also among those least aware of FMLA. When all variables were considered in a single analysis, females were twice as likely as males to be familiar with FMLA; respondents with more than twelve years of education were 2.5 times as likely as those with less schooling to be so; Whites were 1.6 times as likely as Latinos to be familiar with FMLA; native-born respondents were 2.3 times as likely as those who were foreign-born; and older individuals were about three times as likely to be aware of the federal law as those under thirty-five years old, holding other factors constant.

**PAST EXPERIENCE WITH LEAVES AND FUTURE EXPECTATIONS**

Despite the limited income support available, many workers have taken family and medical leaves in the past, and an even greater number expect to need such leaves in the future. The 2003 GBO survey found that 44.4% of employed respondents had taken a family or medical leave at some point during the past five years, and 65.1% of employed respondents indicated that it was “very likely” or “somewhat likely” that they would need such a leave in the next five years.

There were no systematic differences by gender or by household income in the proportion of employed respondents who had taken leave in the past five years. However, a greater percentage of females (69.4%) than males (61.3%) expected to take a leave from work in the five years following the survey. Similarly, respondents from low- and middle-income households were more likely to expect to need leaves than their more affluent counterparts were: 80.0% of those with household incomes

18. A 2000 national survey by the U.S. Department of Labor found that 58.1% of employees at FMLA-covered establishments were aware of the law (Waldfogel 2001: 18). Another survey of Californians in 2001–02 found that 54% were aware of FMLA (Weir 2002: 127). Neither result is strictly comparable to that from the 2003 GBO because the questions were worded differently, and in the case of the U.S. Department of Labor survey only employees in covered establishments were included.

19. All these relationships are statistically significant, with \( p < .001 \), using an F-statistic.

20. These odds ratios are estimated from a weighted logistic regression analysis of the GBO data \( (n = 946) \) in which awareness of FMLA is the dependent variable; gender, age, education, race/ethnicity, and nativity are the independent variables. (Income was omitted due to its collinearity with education.) The results in the text are all statistically significant at the \( p < .01 \) level, except for race/ethnicity, for which \( p = .08 \).
of $25,000 or less and 70.6% of those with household incomes over $25,000 but less than $75,000 expected to take leaves in the next five years, but the proportion among those with household incomes over $75,000 was only 58.4%.21

Although men were about as likely as women to have taken a leave in the five years previous to the survey, female respondents reported much longer leaves than did males, as Figure 2.4 shows. Only 7.9% of employed male respondents reported that their most recent family or medical leave had lasted more than eight weeks, compared to 35.8% of employed female respondents. And although 61.5% of males reported that their most recent leave had lasted only a week or less, this was the case for only 27.8% of the females. This gender disparity is not surprising in view of the fact that women’s leaves include those for pregnancy- and childbirth-related disability (which typically are supported by SDI for ten to twelve weeks) and that women have a disproportionate role in family caregiving. Nonetheless, males do take leaves (albeit of much shorter duration) as often as females.

Nearly one in five (18.4%) employed respondents reported that at some point in

21. In relationship to expecting to take leave in the future, both the gender and income variables are statistically significant, with $p < .01$ using an F-statistic.
the previous five years they had wanted to take a leave from work but had not done so. There was no significant association between gender and not taking a desired leave. Within the relatively small group of would-be leave-takers, however, 83.0% of the females, but only 52.2% of the males, reported that the main reason they had not gone on leave was because they could not afford to do so, and here the association with gender is statistically significant. As one would expect, employed respondents within this group from low- and middle-income households were more likely than were those from upper-income households (those with over $75,000 per year) to report that they had not taken leaves because they could not afford to, although the relationship between income and forgoing leave due to unaffordability was not statistically significant.

**CALIFORNIA EMPLOYERS’ FAMILY AND MEDICAL LEAVE POLICIES**

Another source of insight into past experiences with family leave is the 2003 SCE survey of employers. In this section of the chapter we first examine employers’ family and medical leave policies and the leave-taking behavior they reported using the establishment as the unit of analysis. We then turn to the same data to examine the impact of employer policies on the state’s workforce as a whole, adjusting for the fact that although there are relatively few large employers in the state, they account for a disproportionate share of the overall workforce.

**Employer Policies and Experience with Leaves**

Over a third (35.5%) of California employers responding to the 2003 SCE provided family and medical leave benefits beyond what then was required by law. As Figure 2.5 shows, larger employers, those with the fewest low-wage workers, those with a large proportion of professional, managerial, or technical (PMT) employees, and those where unionization is present were particularly likely to provide such extensive leave benefits. The relationship between union presence and providing benefits beyond what the law requires is statistically significant, but this is not the case for any of the other variables shown in Figure 2.5. Unionized employers were 2.8 times more likely to have leave benefits beyond those required than were

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22. The survey question was, “In the past five years, was there ever a time when you wanted to take family or medical leave from work, but did not for any reason?”

23. With p < .01 using an F-statistic.

24. The 2003 SCE survey oversampled large establishments to facilitate meaningful analysis of differences among employers of various sizes. See the Appendix for details.

25. The survey question was, “Does this establishment offer family and medical leave benefits beyond what is required by law?”
employers with no union, holding establishment size and proportion of PMT employees constant. Given that fringe benefits are often improved in collective bargaining, this is not surprising. Establishment size also mattered: the odds of having more extensive leave benefits were twice as high in larger establishments (those with 250 or more employees) than in smaller establishments, holding unionization and proportion of PMT employees constant.

The SCE survey also indicates that relatively few employees go on leave at any one time. When asked, “In the past twelve months, how many employees, if any, at

26. With p < .05 using an F-statistic.

27. This odds ratio is estimated from a weighted logistic regression analysis of the SCE data (n = 1,054): provision of FML benefits beyond those required by law is the dependent variable; establishment size, proportion of PMT workers, and union presence are the independent variables. (The proportion of low-wage workers was not included in the analysis due to its collinearity with unionization.) The result for unionization is the strongest, statistically significant at the p < .01 level, and size is also statistically significant (p = .06).
this establishment took maternity or other family or medical leave?” respondents indicated that 6.3% of their employees, on average, had done so over the one-year period. As one might expect, a higher proportion of workers (8.0%) went on leave in establishments that offered family and medical leave benefits beyond those required by law than in establishments that did not (5.3%). In establishments with more extensive leave policies, however, leave-takers also were more likely to return to their jobs. Overall, 81.0% of workers who had gone on leave returned to work at the same establishment afterward, SCE respondents reported. But in establishments that provided leave benefits beyond those required by law, 87.7% of workers returned to their jobs following a leave, whereas only 75.8% returned in establishments that did not provide benefits beyond those required—a statistically significant difference.29

Leave-taking and retention rates differed somewhat between small and large employers. Among those establishments that provided benefits beyond those required by law, the smallest establishments (those with 5 to 20 employees) had the highest proportion of leave-takers, with an average of 9.8% of the employees having taken leave in the year preceding the survey, compared to only 5.6% in larger establishments. This difference was not statistically significant. The small businesses with extensive benefits did have significantly higher employee retention rates, however, with an average of 95.4% of employees returning to their jobs following a leave, compared to only 82.6%, on average, in larger establishments with similarly extensive benefits.30

Impact of Employer Policies on the Overall Workforce

The data on employers can also be considered from a different perspective by adjusting the analysis to reflect the proportion of California workers employed in establishments of various sizes. This allows us to examine the impact of employer policies on the state’s workforce as a whole. Analyzing the data in this fashion, we find that slightly more than half (51.1%) of California workers were employed in establishments that already provided family and medical leave benefits beyond what was required by law when the SCE was conducted. As Figure 2.6 shows, larger employers were more likely than small ones to provide such extensive benefits, and those with the fewest low-wage workers were more likely to do so than those with more low-wage workers. Those with a large proportion of PMT employees were more likely to provide benefits beyond those required by law than were those with relatively few PMT employees, and those where unionization is present were more likely to do so than those with no union.31

28. This difference is not statistically significant.
29. Based on a t-test, with p < .05.
30. Based on a t-test, with p < .05.
31. The relationships among variables shown in Figure 2.6 are all statistically significant, with p < .01 using an F-statistic.
Unionization had the greatest effect on the provision of leave benefits beyond what the law required when all these variables were considered in one analysis. Workers employed at establishments where unions were present were 3.6 times more likely to have leave benefits beyond those required by law than workers at nonunion establishments, holding establishment size and proportion of PMT employees constant. Establishment size also mattered, however: the odds of having more extensive leave benefits were 2.1 times higher for workers in larger establishments (those with 250 or more employees) than for those in smaller establishments, holding unionization and proportion of PMT employees constant. And finally, holding unionization and establishment size constant, employees in establishments where PMT workers made up 25% or more of the workforce were 1.8 times more likely than employees in
establishments with fewer PMT workers to have family and medical leave benefits beyond those required by law.\textsuperscript{32}

This adjusted analysis of the SCE data indicates that an average of 5.6% of employees went on leave in the twelve months prior to the survey, the vast majority (84.8%) of whom returned to their jobs at the same establishment after their leaves. A greater proportion of workers employed in establishments offering leave benefits beyond what the law required (6.7%) went on leave than in other establishments (4.5%). The return rate was also higher for workers employed in establishments with more extensive benefits: 88.8% of workers in such establishments returned to their jobs, on average, compared to an average of 80.0% of workers in establishments that did not provide such extensive benefits—a statistically significant difference.\textsuperscript{33}

As in the analysis above, among workers employed in establishments that provided benefits beyond those required by law, the leave-taking rate was highest for those at the smallest establishments (5 to 20 employees), with an average of 9.6% having taken leave in the year preceding the survey, compared to only 6.4% of workers in larger establishments. This difference (as in the earlier analysis) is not statistically significant, however. And once again, at small businesses with extensive benefits, nearly all (95.8%) employees, on average, returned to their jobs after taking leave, compared to an average of 88.4% of workers employed at the larger establishments with similarly extensive benefits.\textsuperscript{34}

These findings suggest that offering extensive family and medical leave benefits may help reduce turnover, potentially resulting in cost savings for employers (see Dube and Kaplan 2002). Alternatively, employers with superior family and medical leave benefits may be better employers to work for in general, which could also explain their higher retention rate. In any case, covering the work of employees on leave is relatively straightforward: in four out of five cases employers indicated that they usually covered the work by sharing it among other employees.\textsuperscript{35}

On the whole, the SCE data suggest that family and medical leaves already have become a routine feature of the human resource management repertoire of most California employers. Leaves have been common in the past, they seem to

\textsuperscript{32} Odds ratios are estimated from a weighted logistic regression analysis of the SCE data (n = 1,054): provision of FML benefits beyond those required by law is the dependent variable; establishment size, proportion of PMT workers, and union presence are the independent variables. (The proportion of low-wage workers was not included in the analysis due to its collinearity with unionization.) With p < .05 for all three independent variables.

\textsuperscript{33} Based on a t-test, with p < .05.

\textsuperscript{34} This result is of marginal statistical significance, with p < .1 using a t-test.

\textsuperscript{35} This result varies only slightly with the two different weighting schemes described in the Appendix: 79.5% of the employers surveyed, covering 80.3% of employees when adjusting for the size distribution of the sample, reported that they covered the work of leave-takers by sharing it among other employees. The U.S. Department of Labor’s 2000 national survey, similarly, found that 75% of employers reported that assigning work temporarily to other workers was their most frequently used method of covering the work of employees on leave (U.S. Department of Labor 2001: 6–5).
be managed with little difficulty, and the more “family friendly” employers may actually benefit from the reduced turnover associated with providing more extensive leave benefits, insofar as they save on the costs of recruiting and training new employees. Family-friendly employers also may find that by coordinating their existing benefits with the state’s new paid family leave program, they can further enhance the benefit to employees and their families at no additional expense to their organizations.

CONCLUSION

Californians from every segment of the population strongly favor the idea of paid family leave. Even in the changed political climate that emerged after the 2003 recall election in which Arnold Schwarzenegger replaced Gray Davis as governor—a shift that has sparked numerous proposals to roll back labor legislation passed in the Davis era—California’s new paid family leave law does not seem to be in any jeopardy. Paid leave commands wide support among Californians of all ages, all education levels, all racial and ethnic groups, among the native-born as well as among immigrants, and among self-described liberals, moderates, and conservatives.

One of the most important features of the new law is that it covers workers throughout the private sector, including those who previously lacked access to paid leave benefits provided by employers. Public awareness of the new law remains limited, however, and relatively few workers are aware that this benefit is already available to most private sector employees in the state. Business interests continue to express concern about the burdens imposed by the program on employers, and they warn that the costs may be higher than originally projected. Now that the law has taken effect, however, employers have already begun to coordinate it with their own benefit packages.

Employers—especially those who previously provided benefits that could be used to support paid leave—may be the major conduit for information about the new program. Some employers may even reap cost savings as they coordinate the benefits available in the new state program with those that they themselves provide. The new state law was intended to extend access to paid family leave to all workers, especially those who previously lacked access to wage replacement for bonding with a new child or to care for a seriously ill family member. But if awareness of the new program does not extend well beyond those workers whose employers are coordinating it with their own previously existing benefits, the new law will do little to ameliorate the disparity between workers who previously had access to paid leaves (via employer-sponsored benefits) and those who lacked such access. Thus the most urgent task facing those who support paid family leave is to ensure that the vast numbers of workers who stand to benefit most from the new state law become aware of its existence.
REFERENCES


U.S. Department of Labor. 2001. Balancing the Needs of Families and Employers: Family and
APPENDIX. Data and Methodology

The data analyzed in this chapter are drawn from two surveys.

The first is the Golden Bear Omnibus (GBO) survey, a random digit dial (RDD) telephone survey of 1,050 California adults that was conducted over the period September 17 through November 22, 2003, by the University of California at Berkeley's Survey Research Center. This survey, conducted in English and Spanish, investigated public attitudes about paid leave, public awareness of the state's new paid family leave law, employees' previous experience with family and medical leave, and employees' expectations about future needs for leave.

The GBO sample was a cross-sectional RDD sample covering residential telephone exchanges in California. An attempt was made to interview one person in each selected household. The sample of telephone numbers for this survey was generated using a procedure called list-assisted random-digit sampling. This method preserves the characteristics of a simple random sample but draws on large databases of telephone directory information to make the sample more efficient and to reduce the number of calls to nonworking numbers. For a detailed description of this sampling method see Casady and Lepowski 1993.

The overall response rate for this survey was 32.6% of all eligible households and 57.8% of selected respondents; 1,817 respondents were selected from 3,225 eligible households. Within this group were 720 refusals and 47 cases where no contact could be made, for a total of 1,050 completed interviews.

All results reported in the text are weighted. Two types of adjustment were made. First, an adjustment was made for the number of telephone lines serving a household. A person who can be reached at two telephone numbers has twice the chance of being selected as a person with only one reachable number; the former therefore should receive half the weight of the latter in computing statistics. The other factor affecting probability of selection is the number of eligible adults in each selected household. Since only one eligible adult was selected to be interviewed, an adjustment was made to account for variations in the number of eligible persons in each household contacted. Second, the sample was adjusted for discrepancies between the demographic distribution of the sample and that of the state's overall adult population. Since some segments of the population are more likely than others to reside in a household with a telephone and to respond to an interview, certain groups of people are over- or under-represented in the data file. Post-stratification weights were introduced to adjust the distribution of the sample to a reliable standard. The variables used to post-stratify the GBO were
race/ethnicity, gender, age, and education, using the California data from the 2000 U.S. Census for distribution criteria.

The second survey is the Survey of California Establishments (SCE), a telephone survey of 1,080 California businesses and nonprofit organizations sponsored by the University of California’s Institute for Labor and Employment that was conducted over the period May 13 through October 22, 2003, by the University of California at Berkeley’s Survey Research Center. This survey, on which the Principal Investigator was Michael Reich, included a few questions designed by the authors on the extent to which California employers provided family and medical leave benefits beyond what was legally required prior to the implementation of the new law, as well as employers’ recent experience with such leaves. Interviewees were management representatives with expertise on employment policies.

The SCE sample was drawn from a Dun and Bradstreet database, stratified by establishment size into seven size categories that were based on the number of employees at the establishments. The seven categories were: 5–9, 10–19, 20–49, 50–99, 100–249, 250–999, and 1000+ employees, sampled at progressively higher rates. The sampling fractions ranged from 0.97% for the category with the smallest establishments to 100% for the category with the largest establishments. (Establishments with fewer than five employees were excluded from the sample.) All results reported here are adjusted to reflect non-response and adjusted for discrepancies between establishment size as recorded in the D&B database and establishment size as reported by SCE respondents.

The overall response rate was 49.1%, with considerable variation by size category:

<table>
<thead>
<tr>
<th>Size Category</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>5–9 employees</td>
<td>61.6%</td>
</tr>
<tr>
<td>10–19 employees</td>
<td>59.0%</td>
</tr>
<tr>
<td>20–49 employees</td>
<td>47.7%</td>
</tr>
<tr>
<td>50–99 employees</td>
<td>50.4%</td>
</tr>
<tr>
<td>100–249 employees</td>
<td>53.0%</td>
</tr>
<tr>
<td>250–999 employees</td>
<td>48.6%</td>
</tr>
<tr>
<td>1000+ employees</td>
<td>40.1%</td>
</tr>
</tbody>
</table>

Since the establishments were sampled with different sampling fractions, weights were calculated to compensate for those differences. The SCE results reported in the text involve two distinct weighting methods. They differ in the relative weight given to larger and smaller establishments. As detailed below, the “establishment weight” treats each establishment the same, regardless of the number of employees, whereas the “worker weight” gives additional weight to establishments with more employees. Each weight includes an adjustment for non-response.

**Establishment Weight**

Establishments in the various size categories were sampled at different rates in order to increase the proportion of large establishments in the sample. This weight compensates for that oversampling by weighting each case inversely proportional to the relative sampling fraction. For example, if case number 1 had double the chance of being selected as case number 2, the first weighting factor for case number 1 is only half that of case number 2. This weight also was adjusted to compensate for differential response rates within the seven Dun and Brad-
street size categories used for sampling. The establishment weight for each case was divided by the response rate for its size category and then rescaled so that the weighted number of cases equals the actual number of cases. Since the response rate was lower in the largest establishments, their weight is correspondingly greater. The weights were scaled so that the sum of the weighted number of cases equals the actual number of cases.

The establishment weight is used in the section of the chapter text entitled “Employer Policies and Experience with Leaves,” where the discussion focuses on the proportion of establishments with various characteristics, considering all establishments equally, regardless of size.

**Worker Weight**

In the section of the chapter entitled “Employer Policies’ Impact on the Overall Workforce,” where our focus is on the proportion of workers affected by some characteristic or decision of the establishments, the establishments are weighted by the number of employees. For example, suppose 10% of all sampled establishments have a certain type of leave policy. It might be just the smaller establishments that have such a policy, however, and that might affect only 5% of the workers in the state. The worker weight is designed to address this issue.

The worker weight was created by multiplying the establishment weight for each case by the number of employees in the establishment and then rescaling so that the weighted number of cases is equal to the actual number. The non-response adjusted version of the worker weight was created by multiplying the number of employees by the non-response adjusted version of the establishment weight. Since the response rate was lower in the largest establishments, their weight is correspondingly greater.

**TESTS OF SIGNIFICANCE**

We use two types of significance tests for the descriptive data discussed in the chapter, as indicated in the footnotes. One type of test is summarized by an F-statistic. This F-statistic is based on a Pearson Chi-square statistic, which tests for independence between variables and corrects for the survey design using the second-order correction of J.N.K. Rao and A.J. Scott (1984).

In other instances we use two-sample t-tests to test the significance of differences in weighted means. Finally, the text includes a series of weighted logistic regression analyses, from which we report the p-values of the coefficients.
Upgrading California’s Home Care Workforce

THE IMPACT OF POLITICAL ACTION AND UNIONIZATION

CANDACE HOWES

The population of elderly Americans is expanding so rapidly that in the next half-century the number of seniors in the United States is expected to increase by 137%. The population of Americans with disabilities is also growing, and the number of people requiring long-term care is expected to more than double before 2050 (DHHS and DOL 2003). In California the number of persons aged sixty-five and over is expected to increase 22.7% between 2000 and 2010 (California Budget Project 2004), and the overall rate at which the elderly are living with one or more disabilities is rising quickly (Heinritz-Canterbury 2002). As a result, California, like the nation as a whole, is experiencing a growing demand for long-term care. Yet, during the next twenty years, the demographic group from which caregivers are generally drawn, women between the ages of thirty-five and fifty-five, is expected to increase by only 9% nationwide (GAO 2001).

Demand for in-home care in particular is also on the rise, and California is facing a critical shortage of home care workers. Seniors are often isolated or distant from family members who might provide care, and, influenced by the scandals surrounding the nursing home industry, many are reluctant to seek care in institutional settings (Heinritz-Canterbury 2002). This crisis will not be averted until one all-important issue is resolved: that of low-wage work. Home care jobs do not pay enough to sustain most working families.

Nearly one-quarter of the workforce—27.5 million Americans—earned less than $8.70 an hour in 2001. As many as 4 million work as direct care providers in hospitals and nursing homes, through home care agencies, or as independent providers of home care (BLS 2004). At least 2 million provide home care nationwide, earning an average hourly wage of $8.00. Because wages are so low, turnover in direct care occupations ranges from 40% to 100% annually, meaning that the workforce shortage will be resolved only when recruitment and retention increase.

The research for this chapter was supported by grants from the Better Jobs Better Care Program, jointly funded by The Robert Wood Johnson Foundation and The Atlantic Philanthropies. I am grateful for useful feedback from Eileen Boris, Linda Delp, Ruth Milkman, Laura Reif, and an anonymous reviewer.
In California home care is provided to low-income elderly and disabled persons through the In-Home Supportive Services Program (IHSS). Until 1995 no IHSS worker was paid more than the state minimum wage and none received health insurance. Sixty-one percent of IHSS workers still earn less than $8 an hour, and although many are now offered employer-based health insurance, most cannot work enough hours to be eligible. Eight percent are still being paid the current state minimum wage of $6.75 an hour. IHSS wages were the only source of earnings for 77% of IHSS providers in 2000; they took home a median monthly wage of $436.00. In 2003 this wage was only 34.3% of the 2003 federal poverty level for a family of three (California Budget Project 2004).

The home care industry in California is gradually being transformed by unionization and related changes obtained as a result of pressure from a coalition of unions and home care consumers who recognized their mutual interest in a well paid, stable workforce. What has for decades been a uniformly bad minimum-wage job, done largely by women out of love for their clients or the need for temporary part-time work, has become a pretty good part-time job in some California counties. Roughly one-fourth of the IHSS workforce now earns at least $9.50 an hour and has access to health, dental, and vision care insurance with low eligibility requirements.

This paper documents the impact that raising wages and benefits has had on turnover in California’s home care industry. It begins by relating the impact of unionization and political action on home care jobs, then summarizes findings from focus-group sessions with home care providers in four California counties. A review of results from a longitudinal study of the effects of wage and benefit increases in San Francisco County on home care worker turnover provides background for the presentation of new evidence from a cross-sectional analysis of the effect of wage differentials among broad county categories and between Los Angeles and San Francisco counties. The findings show that higher wages are correlated with lower turnover at the state level.

BACKGROUND

Home care is long-term care that is provided in the home to frail elderly and disabled persons who would otherwise require care in an institution such as a nursing home, a residential care facility, an intermediate care facility, or a state hospital. The very large majority of people needing long-term care services receive them in noninstitutional settings. A nationwide survey conducted between 1995 and 1997 found that approximately 13.2 million people living at home needed some assistance with the basic activities of daily living such as eating, bathing, and dressing, as well as assistance with shopping and housekeeping. In 1958 only 2,000 people were employed as home care workers. Although most home care is still provided by unpaid family

1. The median wage is based on data for the fourth quarter of 2000.
caregivers, home care has grown since the early 1960s into an occupation that employs an estimated 2 million people nationwide. In California in 2000, approximately 2 million people living at home needed some assistance (Medi-Cal Policy Institute 2001). And, as of December 2003, approximately 270,000 IHSS workers were providing home care services to more than 300,000 Californians.

This transformation of home care into a substantial occupation resulted from a combination of factors: the expansion of health and social services in the 1950s and 1960s to cover more groups, equal opportunity legislation that favored the provision of long-term care in community and home-based settings, federal emphasis on funding social services programs that help recipients become self-sufficient, an increase in the proportion of the population that is living with one or more disabilities (DHHS and DOL 2003), a decline in the size and geographic proximity of families, and the movement of women into the workforce since the 1960s. IHSS was officially created in 1972 to consolidate organization and provision of home care at the state level. Today IHSS has two components. The Personal Care Services Program (PCSP) provides nonmedical personal care services, such as assistance with administration of medication, bathing, oral hygiene, grooming, and dressing; these services are funded by the federal government as well as counties and the state. The Residual Program provides these same nonmedical personal services, as well as assistance with household chores, such as cleaning, shopping, and yard work; these are funded by counties and the state. A number of people currently covered under the Residual Program would qualify for the PCSP program but for the fact that they are being cared for by a parent (in the case of a disabled minor) or spouse. IHSS participants must meet income eligibility requirements for both programs.

Initially, all funding for the program came from state revenues, but in 1975 IHSS received a significant boost when Title XX of the Social Services Act was enacted specifically to fund services that would help recipients achieve self-sufficiency, reduce their dependency, and prevent inappropriate institutional care—a goal that clearly encompassed funding for home care services. Under Title XX, renamed the Social Services Block Grant (SSBG) in 1981, California was able to shift a substantial portion of the cost of its attendant care services (as well as other services including adoption, adult and child day care, foster care, and protective services) to the federal government. The federal government paid 75% of the costs of the SSBG programs,

2. The Bureau of Labor Statistics estimates that there were 2.2 million formal long-term care workers, including 478,000 home care workers, nationwide in 2003 (BLS 2004). BLS counts only those home care providers who work at wage and salary employment in nursing and personal care facilities, residential care facilities and home health services, which excludes some of the principal modes in which home care aides are employed—namely, through temporary help agencies and public agencies or as self-employed independent providers. In 1999 there were an estimated 100,000 home care providers in six other states that have similar public programs (LeBlanc et al. 2001). There is virtually no information about the number of people who work as independent contractors to those private employers; however, an estimate of 1.5 to 2.0 million home care workers nationwide seems reasonable.
but only up to a nationwide cap of $2.7 billion (Committee on Ways and Means 2000). States paid the full marginal cost of programs once they exceeded their share of the allocated monies.

By the early 1980s, although some counties still contracted with agencies, the IHSS program was established as a largely consumer-directed program, meaning that the consumer (the recipient of home care services) can hire, supervise, and, if need be, fire the provider. The county social services authorized hours of service and maintained timesheets for workers, and the state paid the wages from a combination of federal and state funds. IHSS workers were public employees, but the public entities that employed them were not clearly their employers. Wages constituted the bulk of the cost of the program, and while the federal government paid a share of the costs, IHSS workers and IHSS services, like all public employees and services, were still vulnerable to the state’s fiscal problems.

Because IHSS is a consumer-directed program, a far larger share of California’s long-term care services are provided in home- and community-based settings than is the norm nationwide, and a much larger proportion of the population receives the service at lower overall cost. Because of this contrast, political support for IHSS funding was weak. Moreover, because workers were not classified as employees under the National Labor Relations Act, they could not legally join a union.

During the 1980s the United Domestic Workers (UDW), now an AFSCME affiliate, and the Service Employees International Union (SEIU) began trying to organize the growing home care workforce. UDW concentrated on IHSS workers who were employed by proprietary and nonprofit agencies under contract to counties. SEIU concentrated on the so-called independent providers (Boris and Klein 2003). In 1987, following an extensive grassroots organizing effort in Los Angeles in

3. The consumer-directed mode has its origins in California’s nonmedical-model attendant care program, which was started in 1960. California’s nascent disability rights movement struggled to define this program as consumer directed from its inception (Reif 2004).

4. In 2002 California ranked fourth among states in per capita spending on the Medicaid Personal Care Services Option and second behind New York in total expenditures on the PCS Option, but it ranked forty-seventh among states in per capita spending on all Long Term Care. Medicaid spending on California’s PCS program grew by 28% between 1997 and 2002, but spending on total LTC increased by only 60%, which is somewhat above the national average of 46% (Burwell et al. 2003).

In 1999 California, compared to Texas, provided more hours of service to roughly the same proportion of its population at half the cost per consumer; agency-based provision of services is the norm in Texas. In California the Medicaid personal care service reached 4.32 out of every 1,000 in the population, providing up to 10.1 hours of service a day, based on need, and the annual expenditure per Medicaid recipient was $2,389.00. In contrast, Texas provided a maximum of 7.1 hours a day to a very slightly higher proportion of the population—4.52 consumers per 1,000 in population—at twice the cost, $4,716.00 per consumer annually. (Estimates are author’s calculations based on data from LeBlanc et al. 2001.)

5. The path to unionization has been well documented in other sources (Delp and Quan 2002; Heinritz-Canterbury 2002; Walsh 2001).
which the union signed up 20,000 workers to file for an early election, SEIU Local 434B sued Los Angeles County to establish the county as the employer of record. The court found that the consumer, county, and state each performed some employer functions but that no single entity performed all, so none could stand as the employer of record (Walsh 2001). With no employer of record, workers had no right to organize a union or bargain for better wages and benefits.

Following that defeat, the union continued its organizing drive in Los Angeles. It lobbied for and won voluntary dues deductions for those who had signed up and developed a series of services for members, nonmembers, and consumers, including a registry to help consumers find providers. Because there is no single workplace in which IHSS workers can come together, the union developed a strategy of direct action that included marches, rallies, demonstrations, and civil disobedience to help workers cohere around a common agenda (Heinritz-Canterbury 2002; Walsh 2001).

By the late 1980s, following rapid growth of the consumer population, California was spending well beyond its allotment of SSBG funds, and IHSS was absorbing an increasingly large share. Roughly 170,000 consumers in fifty-eight counties were receiving IHSS services from a poorly organized program that still paid workers the minimum wage. Pay checks were frequently late, turnover was very high, and, as a Little Hoover Commission report documented, consumers lived in fear that providers would find better jobs and leave them unattended (Little Hoover Commission 1991). The commission recognized that although many in the independent living community preferred consumer-directed care, some of the severely disabled, frail elderly, and cognitively impaired had difficulty finding, screening, and supervising providers. At the same time that IHSS was facing this criticism from the commission, the state was embroiled in a budget crisis that further threatened the program. In October 1991 the governor cut IHSS hours by 12% to reduce expenditures, adding to the fiscal pressure engendered by the flat budget requirements from the SSBG (Heinritz-Canterbury 2002).

Galvanized by fear that problems in IHSS would threaten the program’s consumer-directed model, the disability community joined with a senior advocacy group and SEIU to fight for improvements in the program. This coalition pressed for the passage of significant legislation in 1992 that authorized, although it did not mandate, the creation of a public authority at the county level to deliver home care services. The legislation did require that public authorities either had to be or had to create an employer of record for workers; public authorities also had to develop a countywide registry that would link consumers with available workers and provide access to training. Once a county established an employer of record, unions could organize the workers and, upon recognition, bargain directly with it. A consumer-majority board with worker representation was to act as director and advisor to the public authority (Heinritz-Canterbury 2002).

6. Much of the material in the rest of this section is based on an interview with Laura Reif (2004).
So that resources would be available to raise wages and establish public authorities, the coalition also helped devise a plan that would allow the state to shift much of the expense of the IHSS program to Medicaid. The disability community had opposed state adoption of the PCSP option up to this point because consumers could participate only if their personal care services plan had been written by a doctor and was supervised by a nurse. The coalition successfully pressured the state to apply to the federal government for a waiver on the grounds that the state already had a program in place and was doing effective assessment through social services without the involvement of doctors and nurses. The waiver was accepted, and when the state adopted the Medicaid PCSP option in 1993, making personal care an entitlement for all eligible consumers, federal matching funds at a rate of 50 cents on the dollar brought a large new infusion of cash into the IHSS system.

New money and expanded eligibility brought many new consumers and providers into the rapidly expanding program. Between 1994 and 1999 seven counties organized public authorities: Alameda, Contra Costa, Monterey, San Francisco, San Mateo, Santa Clara (all in Northern California), and Los Angeles. All seven had union elections, culminating with a successful election in Los Angeles that brought 74,000 new home care workers into SEIU. New legislation in 1999 mandated the creation of employers of record and consumer majority advisory committees in all counties by 2003.

Bargaining for higher wages, however, triggered a new set of political and legislative challenges. About the time that the Medicaid PCSP option was adopted, the state also pushed through a new budget agreement, referred to as “realignment,” in which part of the cost of some programs, including IHSS, would be reassigned to the counties. The state provided revenue to cover the new county costs, but it was only as good as the tax base from which it was drawn. What realignment meant for IHSS funding, specifically, was that after the federal government had paid 50% of the PCSP costs, the state would pay 65% of the remaining costs and counties would pay 35% from funding that might not be sufficient to cover the costs. Moreover, the state agreed to pay 65% of remaining costs only up to a maximum wage rate of $6.75, which meant that if a county agreed to pay wages higher than $6.75, it had to pick up the entire additional nonfederal share. Not surprisingly, many counties were reluctant to take the risk of increasing their wage obligations to a program that was growing rapidly and for which the funding was shaky.

Significantly, the 1999 legislation also required the state to contribute the difference between the minimum wage and a target wage that would rise over a four-year period—beginning in fiscal year 2002—to $11.50 an hour plus $0.60 per hour for benefits (Heinritz-Canterbury 2002). As of June 2004 all counties had set up public

7. The state is only required to pay its share of increased wages if the revenue in the general fund has increased by 5% in the previous fiscal year. California entered a recession in 2000, so that condition has not been met for most of the years since the law was passed.
authorities (or, in three cases, nonprofit consortia), and thirty-nine had conducted successful union elections (Keeslar 2004).

Nearly fifty years after the first attendant care program was established in California, and after decades of union organizing and political action on the part of a labor-consumer coalition, home care has been transformed into an above-minimum-wage job with benefits in some counties. In those counties where workers are still paid the minimum wage and union elections have yet to be held, at least the institutional conditions for unionization are in place. Budget politics are the next frontier.

THE NATURE OF THE JOB

During the spring of 2004 we conducted a series of focus-group conversations with home care providers in four California counties.8 The participants represented the range of home care providers, from family providers, to career providers, to retirees who were working not because they needed the money so much as because they enjoyed the work. Our conversations with these men and women revealed a great deal about the nature of the job.

Among the family providers were three who were caring for their disabled children. The first was a seventy-six-year-old woman who had been caring for her forty-two-year-old Down syndrome son since birth. Twelve years ago she learned that she could be paid by IHSS for providing this care, and she was able to resign from her other job, that of running a regional center for developmentally disabled children. Because her son could accompany her to work, the position had allowed her to avoid institutionalizing him. The second of the three was a man who was caring for his fifteen-year-old autistic son; he had left his job in transportation when his former wife was on the verge of putting their son in an institution.

The third, a woman who was caring for her Down syndrome son, said that to avoid a medevac every time her son had a medical emergency, she and her husband had moved closer to hospital services. Her husband had given up his ministry when they relocated. He was able to find other employment, but it was only because she was being paid by IHSS that they were able to afford decent housing for themselves and their four children. When asked what she would do if the wages in her county were cut from the present level of $9.50 to the state minimum wage, as had been proposed by Governor Arnold Schwarzenegger, she began to weep. She and the man caring for his autistic son told us that they would probably have to institutionalize their children if the wage dropped that low. Both knew what it would be like to try

8. These focus groups were conducted as part of the process of preparing a comprehensive provider survey to be administered in these counties during the summer. The focus groups that I participated in were conducted in two rural counties by Lea Grundy of the UC Berkeley Labor Center. Linda Delp of the UCLA Labor Center conducted focus groups in other counties in Southern California.
to live on $6.75 an hour: they would not be able to provide for their families’ basic needs. Both were unwilling to impose that hardship on family members, and both said they would have to find other full-time jobs. These three family providers received approximately ten hours of pay a day from IHSS for a round-the-clock job. Were these caregivers not subsidizing the state with their free labor, the state would be spending twice as much to keep their children in institutions.

It is tempting to think of people who provide care to family members as temporary workers who will move on to other jobs when the family member no longer needs their care, and it is easy to forget that they are often career care providers. Moreover, evidence from these focus groups suggests that many people who enter the workforce as family providers decide to stay and become nonfamily providers, a choice that is surely influenced by the wage they expect to earn. Many nonfamily providers also ultimately care for their family members. This is supported by a previous survey done in Alameda County (Howes 2003), which found that 10% of providers who were currently working as nonfamily providers had entered the workforce as family providers and that only 30% of those who were currently working as family providers had actually entered IHSS as a family provider.

Home care offers important employment opportunities within the community. These jobs are available to high school educated workers, and since they are part-time and somewhat flexible, they can be combined with family responsibilities, including caring for children or other dependents, and other part-time, or even full-time, employment.9 Forty percent of the providers we surveyed in Alameda County had another job: some worked in food services, retail shops, or offices; others sewed or drove trucks; still others provided private-care home care or child care. For most, though, IHSS was their primary employer.

Several of the focus group participants were long-time caregivers who “specialized” in aged alcoholics. One woman was working full time for several consumers, and IHSS was her only job; another woman, retired from a previous career, was providing care because she wanted to continue working and enjoyed taking care of people. Yet another woman had made a career of home care. Her career started when she lost the welfare subsidy that had allowed her to stay home and care for her disabled son. She needed multiple clients to make home care a full-time job, yet she could not afford to own a vehicle or pay for gas. She was able to make a career of home care only because a friend drove her to her clients’ houses.

Home care is not a full-time job for most providers. Consumers need the same kind of assistance at about the same time of day, and most consumers are not authorized enough hours to employ a caregiver full time. Depending on the level of impairment, an IHSS worker’s tasks may range from helping an elderly person with

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9. Appelbaum et al. (2004) report that the majority of low-wage workers in the United States have no credentials beyond a high school diploma and that many, particularly immigrants, fall short even of that. For this reason they refer to the low-wage workers who are the focus of their study (and of this study) as “high school educated workers.”
limited mobility complete his or her weekly shopping, cleaning, and cooking, to providing extensive personal care. Many consumers need assistance getting up in the morning and with bathing, dressing, feeding, and toileting. One-third the consumer population is made up of disabled adults of working age; many do work, but they are able to do so only because their attendant assists them with the activities of daily living, giving them the time and freedom to do other activities. Because IHSS workers provide these homemaking and personal care services for their clients, few can create a daily or weekly schedule that combines two or more clients without putting the client at risk or causing the provider tremendous stress. Home care is a physically demanding and emotionally draining job, and about three-fourths of the IHSS workforce earns poor wages and has no benefits. Findings from the focus groups indicated that many providers would not stay with the job were it not for their personal commitment to their clients.

Fortunately, in some counties IHSS is no longer a minimum-wage job with no benefits. It is still inherently part-time, but some counties now pay wages as high as $10.50 an hour and offer individual benefits that include health, dental, and vision care. Whether higher wages and benefits are producing a more stable workforce, as was envisioned by the consumer-labor coalition that fought so hard to get public authorities and unionization, is the empirical question that I address next.

WAGES AND RETENTION IN SAN FRANCISCO COUNTY

Between November 1997 and February 2002 the IHSS wage rate in San Francisco County increased from about $5.00 an hour, which was then pennies above the minimum wage rate for the state, to $10.00 an hour. Individual health insurance was offered at a low monthly premium to any provider who had worked at least twenty-five hours per month in two consecutive months, and dental insurance and vision care were added for providers who had worked six months. To assess the effect of these wage and benefit increases on the recruitment and retention of new home care workers in San Francisco County, I conducted a time series analysis using a longitudinal database that covered the fifty-two-month period (Howes 2002, forthcoming). The data were drawn from the California Management, Information and Payrolling Database (CMIPS), which is maintained by the California Department of Social Services, Adult Services Division.10

This study looked specifically at the retention of new providers. Since wages and benefits improved greatly over the period of study, I was concerned that there would

10. These confidential data, which are updated monthly, provide the information necessary to construct a detailed demographic profile of the workforce and, when sufficient months are available, to estimate turnover. The author was given access to fifty-two months of confidential CMIPS data, from November 1997 to February 2002. I received permission to use the data as part of a research project funded by Atlantic Philanthropies and the Robert Wood Johnson Foundation.
be considerable short-term movement in and out of the workforce as people tried out the now better-compensated job, then went back to previous jobs when they either discovered they did not like home care or perhaps had received deferred medical treatment and dental care. To measure turnover that results from extreme dissatisfaction with the job, including unhappiness with wages and benefits, as well as the negative impact turnover has on the consumer, I measured the percentage of the workforce that left IHSS even though the consumer remained with the service. This measure netted out “natural” turnover—that is, turnover that occurs when a provider leaves along with a consumer. Natural turnover is less likely to be affected by trends in the wage rate. More than half of IHSS providers work for a family member, a close friend, or someone to whom they have become close while providing care services. On the one hand, workers who have a personal commitment to a consumer are rarely willing to quit if, as is often the case, it puts the consumer at risk; on the other hand, as many providers in focus groups and survey pretests told us, providers often do quit as soon as the consumer no longer needs them.

Only 39% of new providers who entered the IHSS workforce between November 1997 and February 1998 remained for at least a year (Table 3.1). This is equivalent to a 61% turnover rate for new providers. There were significant differences in retention rates across ethnicities and between family providers—those caring for a spouse, parent, child or other family member—and nonfamily providers—those caring for consumers who were not family members. The retention rate for new family providers was 44%; for new nonfamily providers it was 34%. Russian family providers were far more likely than any other group to stay in the job for a year, and African American nonfamily providers had by far the lowest retention rates. By the time the wage reached $10 an hour, in 2001, the annual retention rate for new workers had risen by 94% to 74%. Both family and nonfamily worker retention nearly doubled. There were substantial increases in retention among all ethnic groups, and the variability in retention among ethnic groups had narrowed considerably, especially for family providers. Most striking is that retention rates among African American nonfamily providers rose 287%, rising from rates that were roughly half the mean for the nonfamily workforce. By 2001 retention rates for this group of providers had converged almost to the workforce mean for nonfamily providers—67%.

Wage and benefit improvements appear to have increased provider retention in San Francisco County, yet the magnitude of the wage effect was markedly different among ethnic groups. If our goal is to understand the factors that increase recruitment and retention so that we can design good public policy, we must evaluate how

11. Note that the estimated coefficients reported in this paper are only for the aggregate regressions. Readers should refer to the original article, where this measure of turnover was first used, for details of the regression results on ethnicity (see Howes forthcoming).

12. In the San Francisco study I counted a provider who exited the workforce for up to two months and then reentered as two distinct providers.
these factors are related to ethnicity. Ethnicity may affect turnover through at least two channels. First, some ethnic groups are more likely to care for family members because of cultural norms. In San Francisco, African Americans and Latinos are traditionally more likely to hire family providers than are Whites, Russians, and Chinese. If turnover is lower among family providers, having a higher proportion of family providers will pull down the average turnover rate in an ethnic group. Whether trends in the wage rate will have differential effects by family and ethnicity is another matter. In addition, new family providers have consistently lower turnover rates than do new nonfamily providers, possibly because family providers are more committed to their consumers and are less likely to abandon them if a better opportunity presents itself, at least as long as the consumer needs them. Retention of family providers might be less affected by trends in the wage rate for the same reason: some people in the focus groups said that they would care for their family member regardless of the wage. If being a family provider mutes the effect of wage trends, then being a member of an ethnic group that disproportionately is made up of family providers will also depress the effect of wage increases on that group’s retention.

Another mechanism that causes differing wage effects is related to ethnic variations in the employment opportunities that are available to potential caregivers.

Table 3.1. Percentage of New IHSS Providers Who Remained in the Workforce for at Least One Year, by Ethnicity, San Francisco County, November 1997–February 2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Latino</td>
<td>41%</td>
<td>52%</td>
<td>28%</td>
<td>65%</td>
<td>68%</td>
<td>78%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Chinese</td>
<td>34%</td>
<td>39%</td>
<td>28%</td>
<td>75%</td>
<td>79%</td>
<td>103%</td>
<td>28%</td>
<td>67%</td>
</tr>
<tr>
<td>Russian</td>
<td>58%</td>
<td>62%</td>
<td>56%</td>
<td>77%</td>
<td>80%</td>
<td>29%</td>
<td>74%</td>
<td>34%</td>
</tr>
<tr>
<td>African American</td>
<td>27%</td>
<td>36%</td>
<td>16%</td>
<td>72%</td>
<td>80%</td>
<td>121%</td>
<td>63%</td>
<td>287%</td>
</tr>
<tr>
<td>White</td>
<td>29%</td>
<td>27%</td>
<td>31%</td>
<td>65%</td>
<td>73%</td>
<td>170%</td>
<td>55%</td>
<td>78%</td>
</tr>
<tr>
<td>Total</td>
<td>39%</td>
<td>44%</td>
<td>34%</td>
<td>74%</td>
<td>80%</td>
<td>81%</td>
<td>67%</td>
<td>94%</td>
</tr>
</tbody>
</table>

Source: CDSS n.d.

Note: Excludes natural turnover—that is, turnover that occurs when a provider leaves IHSS because a consumer discontinues IHSS services. Retention rates are averages for new entrants in November 1997–February 1998 and November 2000–February 2001.

13. Solari (2004) provides a good example of how provider attitudes to family caregiving vary by ethnicity. In the case she describes, Russian Christian home care providers see themselves as “saints” and, like a family caregiver, as caregivers who have a personal commitment to the client, whereas the Russian Jewish providers model themselves more as professionals.
Most home care recipients try to hire someone who lives close or who belongs to their community, which more often than not means someone of their own ethnicity. In ethnically diverse areas, or areas in which concentrations of minority ethnic groups are embedded in a majority community, the labor market will usually be segmented by ethnicity. Latinos are frequently employed in food services; Chinese often work in garment factories in the Bay Area. Home care is an ethnic niche job in some rural areas of California, including the perimeter of the Sacramento Valley, where there are concentrations of Hmong home care workers. Waldinger and Lichter (2003) have shown that job opportunities are hierarchized by ethnicity, with African Americans occupying higher strata than Latinos or newer Southeast Asian immigrants of similar educational attainment. Chinese, Latino, White, and African American home care workers in Alameda County reported distinct associations between ethnicity and type of job for jobs other than their IHSS jobs (Howes 2003). African Americans, for example, were able to get much better alternative jobs than either Chinese or Latino home care workers. Members of groups with a better range of alternatives will need higher wages to convince them to stay in home care, explaining why the impact of wage increases might vary by ethnicity.

Home care becomes relatively less attractive when labor markets are tight and more attractive during periods of high unemployment, so any attempt to parse out the effect of wages and benefits must control for local labor market conditions. A multivariate logistic regression model was used to estimate the impact of wage and benefit increases on the probability of a new provider staying in the home care job for at least a year. The model included an independent variable to measure trends in the wage rate, a dummy variable to indicate whether the worker was a family provider, and an interactive variable (termed “wage×family”) between the wage rate and the family dummy variable to calculate the effect on responsiveness to wage changes of being a family provider. A second dummy variable was used to indicate whether health insurance was available in each month, and a third was used to indicate the availability of dental insurance as well. Finally, to control for local labor market factors that would affect retention, a trend variable was included, measuring employment in the labor market in San Francisco County. Equations were estimated regressing the probability of a new provider lasting a year in the job on the independent variables for the entire population. (See Appendix A for a summary of the research design.)

I found that the probability of a new provider lasting a year in the job increases as wages rise and as health and dental insurance are added, as Table 3.2

15. See Howes forthcoming for greater detail on the methodology and for estimates by ethnicity.

I estimated separate equations for each ethnic group because I assumed the underlying causal mechanism would vary by ethnicity owing to differences in culture and economic opportunity.
The coefficients on these three variables were all positive, as predicted, and all were highly statistically significant. Surprisingly, the results suggest that the probability of a new provider lasting a year is lower for family providers, but the results were mixed because the coefficient in the aggregate equation was statistically significant but was not significant for most of the ethnic groups. The wage\texttimes family interactive variable does not support the hypothesis that new family providers are less likely to base their decision to stay in the workforce on wage level; rather, it suggests that they are more likely to be influenced by higher wages. Finally, the results show not only that tightness in the labor market does reduce home care retention but also that had it not been for the IHSS wage increases, a net exodus from the San Francisco home care labor market would have occurred between 1997 and 2001.

Table 3.2 shows the probable impact on retention when new workers receive higher wages or insurance or are family providers. Probabilities were determined by increasing each independent variable by one unit while holding all other variables constant at their mean values. Increasing the wage by $1.00 from its mean of $8.85 increases the probability of a new worker lasting a year by 12.3 percentage points. The probability for a new family provider (determined by adding the probabilities

<table>
<thead>
<tr>
<th></th>
<th>Estimated Coefficient</th>
<th>Standard Error</th>
<th>Z Statistic</th>
<th>BIC^a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage rate</td>
<td>0.737****</td>
<td>0.039</td>
<td>18.9</td>
<td>361.8</td>
</tr>
<tr>
<td>Family provider</td>
<td>-1.403****</td>
<td>0.035</td>
<td>-40.1</td>
<td>31.4</td>
</tr>
<tr>
<td>Wage\texttimes family</td>
<td>0.205****</td>
<td>0.035</td>
<td>5.9</td>
<td>18.4</td>
</tr>
<tr>
<td>Health insurance</td>
<td>1.035****</td>
<td>0.090</td>
<td>11.5</td>
<td>129.0</td>
</tr>
<tr>
<td>Dental insurance</td>
<td>1.155****</td>
<td>0.116</td>
<td>10.0</td>
<td>95.6</td>
</tr>
<tr>
<td>San Francisco employment</td>
<td>-0.097****</td>
<td>0.003</td>
<td>-32.3</td>
<td>902.4</td>
</tr>
<tr>
<td>Constant</td>
<td>32.539****</td>
<td>1.252</td>
<td>26.0</td>
<td>672.4</td>
</tr>
</tbody>
</table>

Probability of retention at mean of all independent variables 0.790

N 10,574
pseudo R2 0.374

Source: CDSS n.d.
* **0–2: weak; ** 2–6: positive; *** 6–10: strong; **** 10+: very strong.

16. Marginal probabilities are calculated from the coefficients and are presented later in the text.
17. This was true also for the separate equations estimated for each ethnic group; see Howes forthcoming.
for wage rate and wage×family) increases by 15.7 percentage points.\textsuperscript{18} Increasing an hourly wage of $8.00—the average wage paid to home care workers in the United States—to $9.00 increases the probability of a new worker remaining for a year by 17 percentage points.

Table \ref{table:3.4} shows the impact of various wage levels on retention.\textsuperscript{19} If the wage drops to $6.75, the estimates suggest that retention will fall to 44%. Significant variability by ethnicity is evident, and particularly remarkable is the retention rate for African Americans, which is estimated to be 11% at this low wage. One of the significant findings of this study is that the wage has to increase to far higher levels for African American and White workers before their retention rates rise to the levels that other ethnic groups achieve at around $8.50 an hour. As Table \ref{table:3.4} shows, the retention rate for new African American workers does not rise above 70% until the wage reaches $10.00 an hour. These results support the hypothesis that retention will vary across ethnic groups at the same wage level because of differences in alternative opportunities.

Although Table \ref{table:3.3} shows the marginal effect of increasing health and dental insurance at the mean, the more meaningful comparison is the effect on turnover

\begin{table}[h]
\centering
\caption{Marginal Probability of a New IHSS Provider Remaining in the Workforce for a Year or More, San Francisco County, November 1997–February 2002.}
\begin{tabular}{llll}
\hline
 & \textit{Mean} & \textit{Marginal Probability} \\
\hline
Wage rate & $8.85$ & 0.123 \\
Family provider & 0.495 & -0.235 \\
Wage×family & 4.487 & 0.034 \\
Health insurance & 0.818 & 0.173 \\
Dental insurance & 0.713 & 0.193 \\
San Francisco employment & 406.900 & -0.016 \\
\hline
\end{tabular}
\begin{flushleft}
\textbf{Source:} CDSS n.d.
\textbf{Note:} Measures the marginal probability of a worker remaining a year or more associated with an additional unit of the independent variable, measured at the mean of the independent variables.
\end{flushleft}
\end{table}

\textsuperscript{18} Since the logit function is nonlinear, the marginal probability measures the rate of change at a single point on the function associated with a small change in an independent variable. A $1.00 increase in the wage rate is a large change, so the actual change in the probability of remaining a year is only an approximation and is in fact somewhat smaller than 12.3 percentage points.

\textsuperscript{19} In each case I assume that the other independent variables are held at the mean of the population, meaning that 81% had access to health insurance, 71% had access to dental insurance, and 50% were family providers.
when health insurance is not available. Table 3.5 shows that adding health insurance increases the retention rate for a new worker by 21 percentage points; adding dental insurance has a similar effect. In the real world, Governor Schwarzenegger’s proposal to cut the wage to $6.75 also includes eliminating health insurance. Under that scenario the model predicts that retention will drop to 25%.

Although the San Francisco study found that retention was higher for home care providers who were caring for family members, as is the case statewide, it also showed that wage and benefit increases had roughly the same marginal effect on the retention of both family and nonfamily providers. Family providers may do this job for love, the results suggest, but it is still the case that they need to provide for their entire family. When caring for one family member jeopardizes the providers’ ability

### Table 3.4. Probability of a New IHSS Provider Remaining in the Workforce for a Year or More after Entry, Associated with Wage Level, San Francisco County, November 1997–February 2002

<table>
<thead>
<tr>
<th></th>
<th>All Providers</th>
<th>Latino</th>
<th>Chinese</th>
<th>Russian</th>
<th>African American</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6.75</td>
<td>44%</td>
<td>57%</td>
<td>52%</td>
<td>70%</td>
<td>11%</td>
<td>19%</td>
</tr>
<tr>
<td>$8.00</td>
<td>66%</td>
<td>65%</td>
<td>66%</td>
<td>77%</td>
<td>47%</td>
<td>57%</td>
</tr>
<tr>
<td>$8.85</td>
<td>79%</td>
<td>75%</td>
<td>79%</td>
<td>85%</td>
<td>68%</td>
<td>72%</td>
</tr>
<tr>
<td>$10.00</td>
<td>90%</td>
<td>84%</td>
<td>90%</td>
<td>92%</td>
<td>87%</td>
<td>87%</td>
</tr>
</tbody>
</table>

**Source:** CDSS n.d.

**Note:** Measures the probability of a new worker remaining a year or more, holding other independent variables at their mean.

### Table 3.5. Probability of a New IHSS Provider Remaining in the Workforce for a Year or More after Entry, Associated with Insurance, San Francisco County, November 1997–February 2002

<table>
<thead>
<tr>
<th></th>
<th>Without</th>
<th>With</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health insurance</td>
<td>61%</td>
<td>82%</td>
</tr>
<tr>
<td>Dental insurance</td>
<td>62%</td>
<td>84%</td>
</tr>
</tbody>
</table>

**Source:** CDSS n.d.

**Note:** Measures the probability of a new worker remaining a year or more when there is no health insurance or no dental insurance and when all have access to insurance, holding other independent variables at their mean.
to care for all family members because wages are too low, they are forced to make the same choices that other workers make.

**WAGES AND TURNOVER IN CALIFORNIA**

Since IHSS wages and benefits (above the minimum of $6.75 per hour) are set or negotiated at the county level, county administrators and union locals need to know what factors increase retention at county and community levels when they are negotiating contracts, be it wages or benefits. The San Francisco County study provided solid statistical evidence that higher wages and benefits reduce turnover among home care workers, holding other factors constant. Each group analyzed displayed different underlying rates of turnover and unique response patterns to changes in the wage and benefit structure. The next step was to expand the study to the entire state through a cross-sectional analysis. Two new variables not considered in the San Francisco study were included in the statewide study: the number of consumers per provider, and the number of hours of work authorized to each provider. Although it is difficult to provide IHSS services to more than one client, especially where travel between clients is required, a larger number of clients may reduce turnover since the provider is more likely to achieve an adequate income from the job. The same argument holds for the number of hours authorized per month for the provider. The descriptive data and logit analysis for this statewide study used CMIPS data for the period December 2002 through December 2003.20

As in San Francisco, the IHSS workforce in California is highly diverse. Table 3.6 shows the ethnic distribution of the state’s workforce and the proportion of caregivers who are family providers; also included are the average age and the proportion who are female within each ethnic group. Twenty-three percent of providers were Latino, 16% were African American, and 35% were White. The five other largest distinct ethnic categories, each representing at least 3% of the provider population, were Chinese, Russian, Armenian, Filipino, and Vietnamese.

An estimated 70% of all IHSS workers were family providers in 2003.21 As in San Francisco, there was tremendous variation among ethnic groups; Filipinos, Vietnamese, and other Asians were far more likely to be family providers, and Russians, followed by African Americans and Whites, were the least likely. The data presented

20. Most of the descriptive statistics are for December 2003, whereas the regression analysis uses data for the thirteen-month period.

21. This estimate of the percentage of family providers differs from calculations made by the state (CDSS 2001). Providers do not have to say whether they are family providers during their interview with a social worker, so the data are incomplete in CMIPS. I have done my own measure, identifying as a family provider anyone who reports that he or she is a family member of a consumer, lives in the same house as a consumer, has the same last name as a consumer, or is given a certain tax code that indicates that he or she is a relative of the consumer.
in Table 3.6 are unadjusted turnover for all providers;\(^{22}\) nonetheless, when compared to the findings from the San Francisco study, the statewide data show similar relative turnover by ethnicity. Armenians and Russians had the lowest rates of turnover, while Whites and African Americans had the highest. Since the patterns of ethnic variation in turnover rates persist statewide, one possible explanation for the differences in turnover rates that we will see by county may be due to differences in ethnic composition and the proportion of family providers. Counties with high proportions of Whites and nonfamily providers, for example, would be expected to have higher turnover rates.

In the analysis that follows, counties and their IHSS workers are grouped into categories with similar labor market and IHSS employment conditions. The demographic characteristics of the workforce tend to be similar within categories and to vary across categories. Table 3.7 shows the county categories that were used. I assigned each of the fifty-eight counties to one of six geographical categories: Northern Urban, Southern Urban, Northern Suburban and Coast, Southern Suburban and Coast, Rural Mountain and Coast, and Rural Agricultural. IHSS wages are distributed into three categories: low (less than $7.50), medium ($7.50 to 8.50), and high (greater than $8.50).

All counties that fall into any one category have several features in common. The first broad differentiator is whether a county is rural. Counties are defined as rural if less than half of the population is concentrated in one or two major towns. All

---

**Table 3.6: Characteristics of IHSS Providers, California, December 2003**

<table>
<thead>
<tr>
<th></th>
<th>Number of Workers</th>
<th>Percentage of Workforce</th>
<th>Percent Family Providers</th>
<th>Percent Female</th>
<th>Average Age</th>
<th>Percent Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latino</td>
<td>61,001</td>
<td>23%</td>
<td>73%</td>
<td>87%</td>
<td>46</td>
<td>26%</td>
</tr>
<tr>
<td>Chinese</td>
<td>13,830</td>
<td>5%</td>
<td>71%</td>
<td>78%</td>
<td>49</td>
<td>23%</td>
</tr>
<tr>
<td>Russian</td>
<td>8,236</td>
<td>3%</td>
<td>56%</td>
<td>66%</td>
<td>42</td>
<td>17%</td>
</tr>
<tr>
<td>Armenian</td>
<td>11,831</td>
<td>4%</td>
<td>75%</td>
<td>71%</td>
<td>41</td>
<td>15%</td>
</tr>
<tr>
<td>African American</td>
<td>42,228</td>
<td>16%</td>
<td>64%</td>
<td>75%</td>
<td>44</td>
<td>33%</td>
</tr>
<tr>
<td>White</td>
<td>94,044</td>
<td>35%</td>
<td>64%</td>
<td>76%</td>
<td>47</td>
<td>28%</td>
</tr>
<tr>
<td>Filipino</td>
<td>8,134</td>
<td>3%</td>
<td>88%</td>
<td>77%</td>
<td>51</td>
<td>27%</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>7,852</td>
<td>3%</td>
<td>90%</td>
<td>72%</td>
<td>44</td>
<td>21%</td>
</tr>
<tr>
<td>Other Asian</td>
<td>15,397</td>
<td>6%</td>
<td>85%</td>
<td>72%</td>
<td>42</td>
<td>23%</td>
</tr>
<tr>
<td>Other</td>
<td>5,810</td>
<td>2%</td>
<td>75%</td>
<td>78%</td>
<td>48</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>268,363</td>
<td>100%</td>
<td>70%</td>
<td>78%</td>
<td>46</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: CDSS n.d.

---

\(^{22}\) Recall that I looked at retention rather than turnover rates in the San Francisco study, but that turnover is simply 1 minus the retention rate. Recall also that in the San Francisco study I was measuring adjusted turnover of new providers only, netting out the effect of natural exits.
## Table 3.7. IHSS Wages and Benefits, by County Category, California, December 2003

<table>
<thead>
<tr>
<th></th>
<th>Urban Counties</th>
<th>Suburban and Coast Counties</th>
<th>Rural Mountain and Coast Counties</th>
<th>Rural Agricultural Counties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Northern</td>
<td>Northern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alameda</td>
<td>$9.50 a</td>
<td>Contra Costa $9.50?</td>
<td>Alpine $7.11</td>
<td>Fresno $7.50 a</td>
</tr>
<tr>
<td>Sacramento</td>
<td>$9.50 a</td>
<td>Marin $9.75 a</td>
<td>Amador $6.95</td>
<td>Imperial $6.75</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$10.28 b</td>
<td>Monterey $9.50?</td>
<td>Butte $7.11</td>
<td>Kern $6.75</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>$10.50 a</td>
<td>Napa $9.50 b</td>
<td>Calaveras $6.75</td>
<td>Kings $6.75</td>
</tr>
<tr>
<td></td>
<td></td>
<td>San Mateo $9.50 b</td>
<td>Colusa $6.75</td>
<td>Madera $6.75</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Santa Cruz $9.50 b</td>
<td>Del Norte $6.75</td>
<td>Merced $6.95</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Solano $9.50?</td>
<td>El Dorado $6.75</td>
<td>San Joaquin ?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sonoma $9.50 a</td>
<td>Glenn $7.11</td>
<td>San Benito ?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yolo $9.60 a</td>
<td>Humboldt $6.75</td>
<td>Tulare $6.75</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lake $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lassen $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mariposa $6.75</td>
<td></td>
</tr>
<tr>
<td>Southern</td>
<td>Los Angeles $7.50 a</td>
<td>Orange $8.00 a</td>
<td>Mendocino $7.11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>San Diego $8.50 a</td>
<td>Riverside $8.00 a</td>
<td>Modoc $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>San Bernardino</td>
<td>San Bernardino $8.50</td>
<td>Mono $7.11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ventura $7.11</td>
<td></td>
<td>Nevada $7.11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Placer $6.75 a</td>
<td></td>
<td>Placer $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Plumas $7.11</td>
<td></td>
<td>Plumas $7.11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>San Luis Obispo</td>
<td></td>
<td>San Luis Obispo $6.95</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Santa Barbara</td>
<td></td>
<td>Santa Barbara $7.11 a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shasta $6.75</td>
<td></td>
<td>Shasta $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sierra $7.11</td>
<td></td>
<td>Sierra $7.11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Siskiyou $6.75</td>
<td></td>
<td>Siskiyou $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stanislaus $6.95</td>
<td></td>
<td>Stanislaus $6.95</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sutter $6.75</td>
<td></td>
<td>Sutter $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tehema $6.75</td>
<td></td>
<td>Tehema $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trinity $6.75</td>
<td></td>
<td>Trinity $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tuolumne $6.75</td>
<td></td>
<td>Tuolumne $6.75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yuba $6.75</td>
<td></td>
<td>Yuba $6.75</td>
<td></td>
</tr>
</tbody>
</table>


*a Health insurance available requiring 60–80 hours of work per month to qualify.

*b Health insurance requiring less than 35 hours of work per month to qualify.
twenty-nine counties in the Rural Mountain and Coast category largely fit this
description; all are located in the mountain regions or on the northern coast of the
state. In addition, the population in each of these counties is more than 80% White,
and IHSS wages are low—below $7.11. Seventeen of these counties still pay the state
minimum of $6.75. Note that with the exception of counties with a large tourist
trade, all had unemployment rates that were well above the state average of 6.7% for
2003 (EDD 2004).

Rural Agriculture is the second rural category, although populations are not as
diffuse in these counties as they are in the Rural Mountain and Coast counties.
These counties are part of the San Joaquin Valley, and a high percentage of the popu-
lation in each county is Latino. IHSS wages are low—below $7.11—in these counties,
with the exception of Fresno, which reaches $7.50. These counties had unemployment
rates that exceeded twice the state average in 2003.

The remaining county categories encompass urban counties and suburban and
coastal counties. These counties have dispersed populations but are close to major
urban areas, and all prosper from living in the shadow of the urban centers they
bound. Unemployment rates are below the state average, except in Monterey and
Santa Cruz, which encompass large rural agricultural areas as well.

The urban counties are San Francisco, Alameda, Santa Clara, and Sacramento in
the north and Los Angeles and San Diego in the south. Unemployment rates in the
urban areas are all at about the state average, except for San Diego, which is far
below, and Sacramento, which is somewhat below the state average. As Table 3.7
shows, the IHSS wage rates in the Northern Urban and Northern Suburban and
Coast counties are all high—above $8.50—while those in the parallel southern
regions are all $8.50 and below.

**Descriptive Statistics**

Table 3.8 shows the ethnic distribution of providers in December 2003 by cate-
gory. The Northern Urban counties were extremely diverse, with no ethnic group
exceeding 28% and all the major ethnic groups significantly represented. Forty-six
percent of all providers statewide were in the Southern Urban counties of Los Ange-
les and San Diego, with 40% in Los Angeles alone. The Southern Urban counties
were also diverse, although Latinos and Armenians made up a much greater share of
the provider population here (there are virtually no Armenians in the north), and
there were far fewer Asians and Russians. Eighty-four percent of the population
of the Rural Mountain and Coast counties was White, with a few concentrations of
Latinos found mainly on the periphery of agricultural areas. Agricultural rural areas
had disproportionately more Latinos relative to their share in the state population. A
large population of Laotians and Cambodians has settled in towns in the Central
and Sacramento Valley counties; this group is captured in the “Other Asian” cate-
gory. The Northern Suburban counties had more Latinos and Whites than did the
Northern Urban counties. The Southern Suburban and Coast counties had more Latinos and Whites and, notably, Vietnamese and peoples classified as Other Asian (principally Cambodians, Laotians, and South Asians) than did the urban areas.

Table 3.8 also shows that providers in the Southern Suburban and Coast and Rural Agricultural areas are most likely to be family providers, while those in the Rural Mountain and Coast area are least likely to be family providers. On average, 70% of providers in urban areas were family providers; however, it should be noted that most urban and suburban counties in the north, with the exception of Santa Clara, San Mateo, Monterey, and Sacramento, have a low proportion of family providers, whereas family providers exceed 73% of the population in all southern urban and suburban areas when Los Angeles is excluded.

Turnover varied by the family status of the provider and ethnicity, just as it did in the San Francisco County study; in addition, turnover varied by region at the state level. As Figure 3.1 shows, turnover—measured as the percentage of all IHSS providers in the workforce in December 2002 who had left the workforce by December 2003—was 35% for nonfamily providers and 23% for family providers.23 The aggregate rate was 27%. Turnover was highest, both for nonfamily and family pro-

23. Note that this measure of turnover (or its inverse, retention) includes both new and continuing providers.

<table>
<thead>
<tr>
<th></th>
<th>Northern Urban Counties</th>
<th>Southern Urban Counties</th>
<th>Northern Suburban and Coast Counties</th>
<th>Southern Suburban and Coast Counties</th>
<th>Rural Mountain and Coast Counties</th>
<th>Rural Agricultural Counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latino</td>
<td>9%</td>
<td>26%</td>
<td>18%</td>
<td>31%</td>
<td>7%</td>
<td>36%</td>
</tr>
<tr>
<td>Chinese</td>
<td>15%</td>
<td>5%</td>
<td>2%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Russian</td>
<td>11%</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Armenian</td>
<td>0%</td>
<td>9%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>African American</td>
<td>18%</td>
<td>19%</td>
<td>13%</td>
<td>14%</td>
<td>2%</td>
<td>11%</td>
</tr>
<tr>
<td>White</td>
<td>28%</td>
<td>24%</td>
<td>52%</td>
<td>37%</td>
<td>84%</td>
<td>39%</td>
</tr>
<tr>
<td>Filipino</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>2%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>6%</td>
<td>2%</td>
<td>1%</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other Asian</td>
<td>6%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Number of workers</td>
<td>42,750</td>
<td>123,947</td>
<td>19,452</td>
<td>31,308</td>
<td>23,698</td>
<td>27,208</td>
</tr>
<tr>
<td>Percentage of workforce</td>
<td>16%</td>
<td>46%</td>
<td>7%</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Percent family providers</td>
<td>70%</td>
<td>70%</td>
<td>64%</td>
<td>79%</td>
<td>58%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Source: CDSS n.d.
Similar to the situation in San Francisco County before wage increases were instated, turnover was also well above the average among African American nonfamily providers and even more so among African American family providers. Turnover was lowest among Armenians and Russians. That pattern of ethnic variation persisted throughout all counties, suggesting that turnover rates are at least partially culturally determined or reflect the differing economic opportunities available to providers depending on their ethnicity.

Figure 3.2 shows the turnover rate for providers after netting out natural turnover. This measure shows turnover for all new and continuing providers who did not leave when their client discontinued care. As expected, this turnover rate was considerably lower than the turnover rate of all providers. As with the previous measure, nonfamily provider turnover was higher than was family provider turnover. The Rural Mountain and Coast counties, which are all low-wage counties, had by far the highest turnover, running 8 percentage points, or 40%, higher than the state average. Note that once the natural turnover is netted out, family provider turnover rates converge across county groups (Figure 3.2), with the exception of rural counties, and ethnic groups (compare Figures 3.3 and 3.4), with the single exception of African

![Figure 3.1](image-url)
Americans, who still had significantly higher turnover than did other groups. The convergence of turnover rates for family providers offers some support for the hypothesis that once someone decides to be a family provider—the propensity does vary by region and ethnicity—the provider is equally likely to stay with the consumer regardless of the wage rate or the local labor market conditions in which they work.

Figure 3.5 shows adjusted turnover rates by wage category, confirming that turnover is higher in low-wage counties. The medium-wage category is dominated by Los Angeles County, where other factors keep turnover lower than it is in the high-wage counties.

**Los Angeles and San Francisco Counties**

Los Angeles and San Francisco counties offer a cross-sectional perspective on the effect of wage differentials among urban counties. Los Angeles and San Francisco have both adopted public authorities and have bargained over wages and benefits with the union, but the outcomes have been markedly different. San Francisco now pays its IHSS workers $10.28 an hour and offers them health benefits as long as they work at least two months consecutively and twenty-five hours in a month; dental benefits are offered after six months. The Los Angeles County Board of Supervisors, which acts as the public authority in Los Angeles, has resisted substantial wage increases. IHSS workers in Los Angeles are now paid $7.50 an hour, and health
Family Providers
Nonfamily Providers

35% 30% 25% 20% 15% 10% 5% 0%
40% 45%

Percentage That Left Workforce

Total Latino Chinese Russian Armenian African American

40% 29% 36% 23% 36% 29%

Low-Wage Counties
Medium-Wage Counties
High-Wage Counties

28% 21% 23%
21% 12% 10%
12%

Percentage That Left Workforce

Low-Wage Counties Medium-Wage Counties High-Wage Counties

Figure 3.3. Annual Turnover for IHSS Workers, by Ethnicity, California, December 2002–December 2003
Source: CDSS n.d.

Figure 3.4. Adjusted Annual Turnover for IHSS Workers, by Ethnicity, California, December 2002–December 2003
Source: CDSS n.d.

Figure 3.5. Adjusted Annual Turnover for IHSS Workers, by Wage Category, California, December 2002–December 2003
Source: CDSS n.d.
insurance is available only if they work a total of eighty hours a month. Whereas 97% of San Francisco providers are now eligible and 53% are enrolled in the San Francisco health insurance program provided through IHSS, the enrollment rate in Los Angeles is only 8%, at least in part because only 30% of active providers qualify for the program (SF IHSS Public Authority 2003; Zawadski and Radosevich 2003).

Table 3.9 shows the distribution of IHSS providers by ethnicity and the percentage of caregivers who are family providers in Los Angeles and San Francisco counties. Although both are very ethnically diverse, the mix is quite different. Latinos made up 26% of the Los Angeles workforce in 2003 but only 9% of the San Francisco workforce. Chinese and Russian providers represented only 6% and 3% of the workforce in Los Angeles, respectively, but 35% and 23% in San Francisco. Armenians represented 11% of the workforce in Los Angeles, but there were almost no Armenians in San Francisco. African Americans made up 20% of the Los Angeles workforce, but only 12% of the San Francisco workforce. Whites represented 35% of the workforce statewide, but only 22% in Los Angeles and 11% in San Francisco.

Family providers in Los Angeles made up a considerably larger share of the provider population than they did in San Francisco. This pattern holds across all ethnic groups with the exception of African Americans, suggesting that there is some underlying causal mechanism that transcends ethnic practices. One possible explanation is that hiring trustworthy nonfamily providers in the immediate community is easier in San Francisco, where the population is denser and where the wages and...

<table>
<thead>
<tr>
<th>ETHNIC GROUP</th>
<th>LOS ANGELES COUNTY</th>
<th>SAN FRANCISCO COUNTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Workers</td>
<td>Percentage of Workforce</td>
<td>Percent Family Providers</td>
</tr>
<tr>
<td>Latino</td>
<td>28,542</td>
<td>26%</td>
</tr>
<tr>
<td>Chinese</td>
<td>6,167</td>
<td>6%</td>
</tr>
<tr>
<td>Russian</td>
<td>2,726</td>
<td>3%</td>
</tr>
<tr>
<td>Armenian</td>
<td>11,521</td>
<td>11%</td>
</tr>
<tr>
<td>African American</td>
<td>22,086</td>
<td>20%</td>
</tr>
<tr>
<td>White</td>
<td>23,416</td>
<td>22%</td>
</tr>
<tr>
<td>Filipino</td>
<td>3,551</td>
<td>3%</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>2,034</td>
<td>2%</td>
</tr>
<tr>
<td>Other Asian</td>
<td>6,224</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>2,514</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>108,781</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: CDSS n.d.
benefits are so much higher. The lower proportion of family providers in San Francisco, relative to Los Angeles, leads us to expect turnover to be higher, if other factors are similar, whereas the greater representation of non-White and non-African American ethnic groups would lead us to expect turnover to be lower.

Table 3.10 shows the average hours worked per month by providers in Los Angeles and San Francisco counties. On average, workers in Los Angeles worked 8.6 more hours per month than did workers in San Francisco, and, on average, nonfamily providers worked almost thirteen more hours in Los Angeles than in San Francisco. Except for Latinos and Filipinos, nonfamily providers in all ethnic groups worked substantially more hours in Los Angeles, again suggesting some underlying, noncultural determining factor. Family providers, on the other hand, do not seem to be affected by some common factor, since some ethnic groups—Chinese, Russians, and Vietnamese—worked more hours in Los Angeles while others worked fewer or similar hours on average. Providers in Los Angeles also worked for more consumers, on average, than did those in San Francisco (Table 3.11). This is true for both family and nonfamily providers and for every ethnic group, with the exception of nonfamily Latino providers.

There is a clear pattern at the state level of providers working for more consumers in counties with lower wages. Providers in Los Angeles County did not work more hours because their consumers were more impaired or had higher hours of authorization. The average number of hours authorized each month per consumer in Los Angeles County was 83.2, compared to 75.1 in San Francisco County.
Table 3.11. Average Number of Consumers per IHSS Provider, Los Angeles and San Francisco Counties, December 2003

<table>
<thead>
<tr>
<th></th>
<th>Los Angeles County</th>
<th>San Francisco County</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All Providers</td>
<td>Nonfamily Providers</td>
</tr>
<tr>
<td>Latino</td>
<td>1.19</td>
<td>1.35</td>
</tr>
<tr>
<td>Chinese</td>
<td>1.42</td>
<td>1.74</td>
</tr>
<tr>
<td>Russian</td>
<td>1.58</td>
<td>1.64</td>
</tr>
<tr>
<td>Armenian</td>
<td>1.48</td>
<td>1.54</td>
</tr>
<tr>
<td>African American</td>
<td>1.17</td>
<td>1.23</td>
</tr>
<tr>
<td>White</td>
<td>1.21</td>
<td>1.28</td>
</tr>
<tr>
<td>Filipino</td>
<td>1.21</td>
<td>1.43</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>1.23</td>
<td>1.23</td>
</tr>
<tr>
<td>Other Asian</td>
<td>1.29</td>
<td>1.49</td>
</tr>
<tr>
<td>Other</td>
<td>1.09</td>
<td>1.15</td>
</tr>
<tr>
<td>Total</td>
<td>1.25</td>
<td>1.35</td>
</tr>
</tbody>
</table>

Source: CDSS n.d.

Angeles was 80, compared to 79 in San Francisco. Again, in the context of the entire state, providers in low-wage counties worked more hours per month than did providers in high-wage counties, even when not justified by higher levels of hours authorized for consumers. Finally, it may be the case that providers worked more hours in Los Angeles because they needed to qualify for health insurance; but again, the evidence from the state as a whole is that workers worked more hours in low-wage counties. In sum, there is some evidence, based on descriptive statistics, that workers in urban areas work more hours for more consumers when they are paid lower wages.

Finally, we look at differences in turnover rates in the two counties to see what effect compensation differentials might have. Table 3.12 shows total turnover rates and turnover rates adjusted to exclude providers who left simultaneously with their consumers. Turnover in Los Angeles was 24%, just one point above turnover in San Francisco. Los Angeles and San Francisco had roughly equal turnover rates for family providers at 20% and 21%, respectively, but the turnover rate for nonfamily providers was considerably higher in Los Angeles: 31% compared to 26% in San Francisco. Turnover for nonfamily providers was consistently higher for most ethnic groups in Los Angeles, with the particularly notable exception of Whites. The higher proportion of nonfamily providers in San Francisco pulls up the aggregate turnover rate to the level of Los Angeles.

The pattern persists for adjusted turnover, as Figure 3.6 shows. The rate for all
nonfamily providers was lower in San Francisco than it was in Los Angeles, and it was lower in San Francisco for all ethnic groups except Whites and Filipinos. Again, since turnover was lower for nonfamily providers among most ethnic groups in San Francisco, relative to Los Angeles, and since it was similar to Los Angeles for family providers across all ethnic groups, the differences in nonfamily turnover between San Francisco and Los Angeles cannot be due to the effect of aggregation. There is some underlying causal factor that is reducing turnover in San Francisco among nonfamily providers. Higher wages and better health insurance in San Francisco is the obvious explanation.
Regression Analysis

Logit regression analysis is required to parse out the effects of other deterministic variables from the effect of wages and benefits on turnover. Although it is tempting to do an analysis only of San Francisco and Los Angeles counties, there is not enough variation in wages to get meaningful results. Current data availability constrains analysis of any counties beyond San Francisco to a cross-sectional analysis, in which it is possible to control for some of the other sources of variation in turnover, such as the ethnic mix of the workforce, the proportion of family providers, and local labor market conditions, but not for others. It is not possible, for example, to control for the impairment level of the population of consumers, which may vary significantly, implying variation in the relative difficulty of the job.

I regressed the probability of any provider who was in the workforce in December 2002 and remained in the workforce for twelve months against a set of explanatory variables: wages, benefits, family relationship to consumer, the interaction between family and wage, and whether health insurance was available. (See Appendix B for a summary of the research design.) All these variables were included in the San Francisco study.

In the San Francisco study the health insurance variable simply measured the

24 This study was designed to control for as much of the variation across regions as possible so that the effect of different wage and benefit levels can be measured. Nevertheless, results from cross-sectional analysis are never as good as those from a time series simply because a cross-sectional analysis explains less of the variation in the dependent variable. With time series analysis most of the other variables that affect turnover, such as family status of provider or ethnicity, are held constant. The only other deterministic variable that is not reasonably constant, conditions in the local labor market, can be easily controlled for by using time series data on local employment levels.
effect of going from a condition in which no health insurance was available to a condition in which health insurance was available to most providers. The design for the state-level analysis was more complex since some counties (accounting for 21% of the workforce) offered no health insurance, other counties (66%) offered it to employees who worked at least sixty-five to eighty hours per month for two to three consecutive months, and still others (12% of the workforce) offered it to those who worked at least twenty-five hours per month for two consecutive months. I included two dummy variables to capture the effect of health insurance: one measured whether a provider was in a county that has any health insurance, and the second measured whether a provider worked in a county with low eligibility requirements.

I added several other variables that capture variation among regions rather than individuals. To economize on the number of variables while still preserving the effect of differing cultural norms and economic opportunities available to different ethnic groups, I included ethnic dummy variables. White is the omitted variable in this group. To control for differences in the economic environment across regions, I included a set of dummy variables for five county categories; here the Southern Urban region was omitted. Two new variables were added: a measure of the number of consumers served by each provider, and a variable measuring the number of hours authorized to each provider, each measured in December 2002.25

As shown in Table 3.13, the logit regression analysis determined that the wage rate variable is negative, supporting the hypothesis that as wages rise, turnover falls. In contrast to the San Francisco study, the highly statistically significant family coefficient tells us that, other things being held equal, family providers are generally less inclined to quit than are nonfamily providers, but that their decision to stay longer is less affected as the wage rises. The county category variables were all significant except the Southern Suburban and Coast category. The Southern Urban county category was omitted; since this region is dominated by Los Angeles and San Diego counties, the result for the Southern Suburban and Coast region tells us that economic conditions there are similar to those in Los Angeles and San Diego counties. The results for the other county categories indicate that underlying economic conditions in those counties will cause turnover to be higher than it is in the Southern Urban counties. The unemployment rate is higher for the rural counties than it is for the southern urban counties, so this makes sense.26 Whether a county has health insurance is not a statistically significant variable, but whether a county has low eligibility health insurance is. The results indicate that turnover falls as the number of consumers per provider rises and also as the number of hours the provider is authorized to work increases. Both results are unsurprising. And, as the San Francisco

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25. The estimated coefficients on the wage rate, the family provider dummy, and the family$x$wage interactive are all highly statistically significant.

26. I admit to being perplexed about why the Northern Urban and Suburban counties would have higher turnover than those in the south after controlling for all other factors.
study showed, being Russian reduces the likelihood of turnover, while being African American increases it.

**CONCLUSION**

Home care as an occupation in California has changed dramatically over the past fifty years. By the 1990s there were at least 2 million people providing home care nationwide and almost 300,000 working as home care providers in California. The enormous growth in the occupation did not make it a good job. That required greater resources and the political clout to translate those resources into better wages and benefits. Political power was realized only when a successful consumer-labor
coalition was formed in the early 1990s to fight for the resources and the institutional changes that improved the quality of consumer-directed services. The coalition successfully lobbied to revise state laws governing the IHSS program. Under the new law, an IHSS public authority could be formed in each county to serve as the employer of record and to provide referral services and training for consumers and providers. In 2004, more than a year after all California counties were mandated to establish an employer of record, and at a time when most counties have chosen to create public authorities, approximately thirteen pay wages above $9 an hour, and most of those offer some level of employer-based health insurance.

What the research presented in this chapter and previous work suggests is that the creation of public authorities resolved many of the problems in the IHSS program that were identified by the Little Hoover Commission in 1991 and that unionization has allowed home care workers to bargain for higher wages and benefits.

Home care is among the top six fastest growing occupations in the United States. Nationwide, home care workers are paid, on average, $8 an hour. These low wages and the lack of benefits are a big part of why there is a severe shortage of home care workers in the United States. Solving the problem of low-wage work (Appelbaum et al. 2004) and alleviating the shortage of direct care workers require the interest and intervention of the federal government. If Congress were to raise the minimum wage, at least to the same real value it had at its peak in 1979, which would be about $7.00 in 2004 dollars, and if the NLRB enforced U.S. labor law, the wage floor could rise to the real value of the minimum wage twenty-five years ago. At least some of the direct care worker shortage would be mitigated by higher wages and employer-provided health insurance, especially for part-time jobs. Home care is a particularly strategic occupation, however, not the least because it represents such a large share of the low-wage workforce. The vast majority of home care services are funded by Medicaid (PHI 2003), which means not only that state and federal governments establish a floor for wages but also that, to a large extent, they pay the wages. Unlike the private employers in manufacturing, retail, and services, which also pay very low wages, state and federal governments are subject to direct political pressure from unions and consumer groups, often working in coalition.

California is possibly the most important venue in which such political action and union organizing has helped transform low-wage home care jobs into better jobs with benefits. Indeed, if home care jobs, which represent one in every ten low-wage jobs, pay a living wage with benefits, even for part-time work, other low-wage jobs employing the same pool of workers may benefit from a spillover effect. California, if only in some counties, is beginning to define a strategy that will remedy critical shortages and, at the same time, potentially define a new standard for low-wage, and especially part-time, jobs—one that makes it possible for low-wage workers to rise above the poverty line. But like many good ideas, the outcome of this experiment still depends on federal, state, and local financing and the politics behind it.
REFERENCES


APPENDIX A. Variables Included in Logit Regression Model of Workforce Retention for San Francisco County

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Sample Average</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retention rate</td>
<td>Probability that a new worker will remain for a year after entry</td>
<td>0.68</td>
<td>0.46</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage rate</td>
<td>Wage rate at time t</td>
<td>$8.85</td>
<td>1.573</td>
</tr>
<tr>
<td>Family provider</td>
<td>1 if provider i is related to consumer; 0 if otherwise</td>
<td>0.495</td>
<td>0.500</td>
</tr>
<tr>
<td>Wage×family</td>
<td>Wage rate at time t×family for individual i at time t; 0 if otherwise</td>
<td>4.487</td>
<td>4.648</td>
</tr>
<tr>
<td>Health insurance</td>
<td>1 if there is health insurance available to all providers at time t; 0 if otherwise</td>
<td>0.818</td>
<td>0.386</td>
</tr>
<tr>
<td>Dental insurance</td>
<td>1 if there is dental insurance available to all providers at time t; 0 if otherwise</td>
<td>0.713</td>
<td>0.452</td>
</tr>
<tr>
<td>San Francisco employment</td>
<td>Employment in San Francisco county at time t (000s)</td>
<td>406.9</td>
<td>11.991</td>
</tr>
</tbody>
</table>

*Means are for total new providers in workforce from December 1997 to February 2002.*
APPENDIX B. Variables Included in Logit Regression Model of Workforce Turnover for California

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Sample Average</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover rate</td>
<td>Probability that a worker will not be in workforce 1 year after 12/02</td>
<td>0.148</td>
<td>0.355</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage rate</td>
<td>Wage rate in county j</td>
<td>$7.86</td>
<td>1.11</td>
</tr>
<tr>
<td>Family provider</td>
<td>1 if provider i is related to consumer; 0 if otherwise</td>
<td>0.683</td>
<td>0.46</td>
</tr>
<tr>
<td>Wage×family</td>
<td>Wage rate in county j×family for individual i in county j; 0 if otherwise</td>
<td>5.364</td>
<td>3.76</td>
</tr>
<tr>
<td>Health insurance</td>
<td>1 if there is any health insurance available to individual i in county j; 0 if otherwise</td>
<td>0.788</td>
<td>0.40</td>
</tr>
<tr>
<td>Good health insurance</td>
<td>1 if individual i elig for HI after &lt;35 hrs work/month in county j; 0 if otherwise</td>
<td>0.121</td>
<td>0.33</td>
</tr>
<tr>
<td>Number of consumers to provider</td>
<td>Number of consumers cared for by provider i in Dec 2003; 0 if otherwise</td>
<td>1.213</td>
<td>0.452</td>
</tr>
<tr>
<td>Number of provider hours per month</td>
<td>Number of work hours authorized to provider i for Dec 2003</td>
<td>103.2</td>
<td>71.1</td>
</tr>
<tr>
<td>County category</td>
<td>1 if individual i lives in County Category j; 0 if otherwise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethnic category</td>
<td>1 if provider i is member of ethnic category j; 0 if otherwise</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Means are for total workforce in California in December 2002.

*The State of California Labor, Vol. 4, pp. 71–105, issn 1531-9037, electronic issn 1541-9045. © 2004 by the Institute for Labor and Employment. All rights reserved. Please direct all requests for permission to photocopy or reproduce article content through the University of California Press's Rights and Permissions website, at http://www.ucpress.edu/journals/rights.htm.*
A critical concern for researchers and policymakers alike is the potential impact of the recent wave of less-skilled immigrants on the wages of other workers. This is particularly salient in light of recent labor market polarization and the declining fortunes of the less-skilled workforce (Milkman and Dwyer 2002).

Less-skilled immigrants are highly segregated from native-born workers, and many metropolitan areas have witnessed the emergence of “brown-collar” occupations—occupations in which immigrant Latinos are overrepresented. These jobs are concentrated in low-level service, construction, agriculture, and manufacturing and include waiters’ assistants, gardeners and groundskeepers, cooks, farm workers, and painters. Immigrant Latinos account for up to two-thirds of the overall workforce in many of these fields. Moreover, Latino men who have recently immigrated are especially highly concentrated in such jobs: nationally they constituted only 1% to 5% of the total labor force in immigrant-receiving metropolitan areas in 1990, yet they accounted for up to 29% of workers in certain occupations (Catanzarite 2003).

Recent research includes some evidence that other workers experience wage penalties when they are employed in occupations with a large proportion of immigrants (Catanzarite 1998, 2003, 2004; Howell and Mueller 2000), but the mechanisms of wage suppression and the policies that might mitigate wage penalties need further attention. Are brown-collar wage penalties smaller in occupations where union density is higher?

This study investigates the impact of union density on pay penalties. Results indicate that unionization significantly eases the downward pressure on wages that is associated with the presence of newcomer Latinos in an occupation. The focus is on greater Los Angeles and the San Francisco Bay area. These two regions constitute the two largest metropolitan areas (CMSAs) in California, and they are among the

1. Generally, occupations are considered to have an overrepresentation of a particular group when that group’s share exceeds 1.5 or 2 times their representation in the labor force as a whole. The brown-collar occupations cited above include gross overrepresentations of immigrant Latinos.
nation's major immigrant-receiving urban areas as well. The analyses also include comparisons with other important immigrant-receiving CMSAs in the United States. Although the potential for immigrant-native competition is a prominent issue nationally, it is of overarching significance in California. California is the country's premier immigrant-receiving state: 26% of its population in 2000 was foreign born. Further, like immigrants nationally, California's newcomers are disproportionately less skilled and Latino. Thus, analyses of wage effects in California are important in their own right and amplify understanding of the potential impact of immigrants on less-skilled workers more generally.

BACKGROUND

The extent and type of competition between newcomers and others has been a subject of intense debate. Some argue that immigrants negatively affect natives' wages, but until recently only limited evidence has appeared in the research literature (see Borjas 1999 for a review). Most studies have focused on comparing overall wage levels in immigrant-receiving metropolitan areas to wages in other areas. The weak and inconsistent findings resulting from this work have prompted scholars to argue that research on immigrant-native wage competition should more directly attend to the wage consequences of occupational segregation and occupations within local labor markets (Catanzarite 1998; Howell and Mueller 2000; Tienda 1998).

Research on immigrant wage effects that focuses on occupation as a critical locus of wage setting provides evidence that native-born workers experience pay penalties in heavily immigrant fields in New York (Howell and Mueller 2000) and that native-born workers and earlier-immigrant Latinos experience penalties in brown-collar occupations in Los Angeles (Catanzarite 1998). In addition, analyses across multiple immigrant-receiving metropolitan areas yield evidence of substantial wage penalties in local brown-collar occupations (Catanzarite 2003, 2004). These wage penalties are significant, even when workers' qualifications and occupational characteristics are taken into account. Evidence of longitudinal pay erosion in Los Angeles further supports the claim that a large concentration of recent immigrants in an occupation depresses wages for all workers (Catanzarite 2002).

As a large literature suggests, wage suppression in minority occupations—specifically, brown-collar occupations—may have multiple causes, including the devaluation of work done by low-status groups (Piore 1979; also see England et al. 1994; Tomaskovic-Devey 1993), the poor market position of labor-intensive occupations (Catanzarite 2002; Cohn 1985), the limited political power of low-status workers

2. The greater Los Angeles CMSA encompasses Los Angeles, Orange, Riverside, Ventura, and San Bernardino counties. The Bay Area CMSA is comprised of Alameda, Contra Costa, Marin, Napa, Santa Clara, Santa Cruz, San Francisco, San Mateo, Solano, and Sonoma counties.
(Catanzarite 2002), the labeling of brown-collar occupations (Catanzarite 2000; also see Oppenheimer 1985 on female-dominated fields), and the willingness of low-status workers to accept low wages (Bonacich 1972; Hodge and Hodge 1965). These are alternative explanations for the process by which a group’s low social status may make an occupation susceptible to wage suppression. Importantly, these models suggest that wage suppression occurs for all incumbents in an occupation and is not restricted to low-status workers.

All else being equal, unionization should be a counterweight to such downward pressure on wages. Coverage under union contracts can protect low-status workers by increasing their political clout and market power, reducing their willingness to accept low wages, combating the devaluation process, and, more generally, counteracting the effects of low social status. Moreover, policies aimed at raising the social status of immigrants (for example, extending worker protections) should have the effect of protecting native-born workers from immigrant competition and brown-collar wage penalties (as I have argued elsewhere; see Catanzarite 2003, 2004).

Union presence in an occupation has spillover effects. If collective bargaining agreements are secured for any substantial group of workers in a given occupation, other workers in the same labor market are likely to benefit (even those not covered under such contracts), as the prevailing wage is likely to be pushed upward by the union’s presence. Of course, occupations may be significantly bifurcated: incumbents in some industrial segments of an occupation may be more likely to be covered under a union contract and therefore better protected from downward wage pressures, including immigrant-related wage suppression, than those in other segments.

Generally, recent-immigrant Latinos are concentrated in the most marginal occupational settings. Marcelli and Heer (1997) provide evidence that this group of immigrants is particularly likely to be undocumented. Given the constraints on employment introduced by the 1986 Immigration Reform and Control Act (IRCA), many workers without viable documents are restricted to informal and marginal work arrangements. Recent-immigrant Latinos are highly unlikely to find employment in the public sector in California, where unionization levels are highest (Milkman and Rooks 2003). These Latinos tend to be most heavily represented in the least regulated occupations and industries, where union coverage is rare. In fact, immigrants have lower unionization rates than native-born workers do, particularly in California, and particularly among newcomers and Mexicans (Milkman and Rooks 2003; Waldinger and Der-Martorisian 2000). This is not to say that unionization is unattainable for California’s immigrants; indeed, there is ample evidence to the contrary (Bonacich 2000; Delgado 1993; Milkman and Wong 2000; Sherman and Voss 2000; Wells 2000; Zabin 2000). Because newcomer Latinos have relatively low representation in unionized industries, however, union coverage may mitigate pay penalties for native workers and earlier-immigrant Latinos without necessarily benefiting recent immigrants themselves.
THE STUDY

This study focuses on greater Los Angeles and the San Francisco Bay Area, which are the two largest metropolitan areas (CMSAs) in California. Using data from the 2000 5% Census Public-Use Microdata Sample (PUMS) (U.S. Census Bureau 2000) in conjunction with pooled data on unionization from the 1998–2002 Current Population Surveys (CPS 1998–2002), I analyzed wage penalties associated with the presence of recent-immigrant Latino men (those who arrived in the United States between 1995 and 2000) for men aged eighteen to sixty-four who are U.S.-born Whites, African Americans, or Latinos or earlier-immigrant Latinos (those who arrived prior to 1995).3 (See Appendix A for further detail on data and methods.) To assess the generalizability of findings, national analyses are also conducted for all major immigrant-receiving urban areas combined. These number ten CMSAs, including Los Angeles and San Francisco.

Descriptive Statistics

Table 4.1 provides descriptive statistics for the individuals in the sample, which comprised 158,143 men in greater Los Angeles and 67,839 men in the San Francisco Bay Area. Annual earnings for these workers in 1999 averaged $42,796 in greater Los Angeles. Earnings were higher in the Bay Area, where the mean was $58,224. Educational attainment was also higher in the Bay Area (13.65 years) than in Los Angeles (12.21 years). The racial/ethnic composition of the sample differed considerably between the two metropolitan areas. Los Angeles had a smaller share of Whites and a larger share of native-born Latinos and, especially, earlier-immigrant Latinos than did the Bay Area. Native-born Whites comprised less than half of the sample in Los Angeles (47%) and more than two-thirds in the Bay Area (69%); the L.A. sample included 16% native Latinos and 31% earlier-immigrant Latinos, compared to 10% native Latinos and 14% earlier-immigrant Latinos in the San Francisco Bay Area. The share of native-born African Americans was similar (6% in Los Angeles, 7% in the Bay Area).4

Potential labor force experience averaged about twenty years for men in both metropolitan areas.5 Other individual labor force characteristics that were similar were average hours per week (42.18 in Los Angeles, 42.77 in San Francisco), weeks worked (about 46 in both), and marital status (58% married in Los Angeles, 55% in the Bay Area).

Table 4.2 presents descriptive statistics at the occupational level for each metropolitan area. The percentage of recent-immigrant Latino men in local occupations

3. Asians, Pacific Islanders, and men of other ethnicities are omitted from the analyses because of their extreme heterogeneity in terms of both ancestry and immigration.
4. Throughout the text, “White” and “African American” refer to non-Latinos.
5. Labor force experience was computed as age minus education minus 6.
### Table 4.1. Descriptive Statistics for Individuals, Greater Los Angeles and San Francisco Bay Area, 2000

<table>
<thead>
<tr>
<th>Variable</th>
<th>Los Angeles CMSA (N = 158,143 Individual Men)</th>
<th>San Francisco CMSA (N = 67,839 Individual Men)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual earnings</td>
<td>$42,796</td>
<td>$58,224</td>
</tr>
<tr>
<td>Log of annual earnings</td>
<td>10.15</td>
<td>10.46</td>
</tr>
<tr>
<td>Hours per week</td>
<td>42.18</td>
<td>42.77</td>
</tr>
<tr>
<td>Log of hours per week</td>
<td>3.69</td>
<td>3.71</td>
</tr>
<tr>
<td>Weeks worked</td>
<td>45.75</td>
<td>46.38</td>
</tr>
<tr>
<td>Log of weeks worked</td>
<td>3.74</td>
<td>3.77</td>
</tr>
<tr>
<td>Years of education</td>
<td>12.21</td>
<td>13.65</td>
</tr>
<tr>
<td>Married</td>
<td>.58</td>
<td>.55</td>
</tr>
<tr>
<td>Native-born White</td>
<td>.47</td>
<td>.69</td>
</tr>
<tr>
<td>Native-born African American</td>
<td>.06</td>
<td>.07</td>
</tr>
<tr>
<td>Native-born Latino</td>
<td>.16</td>
<td>.10</td>
</tr>
<tr>
<td>Earlier-immigrant Latino</td>
<td>.31</td>
<td>.14</td>
</tr>
<tr>
<td>Potential experience&lt;sup&gt;a&lt;/sup&gt;</td>
<td>20.12</td>
<td>19.95</td>
</tr>
</tbody>
</table>

<sup>a</sup> Potential experience is estimated as age minus years of education minus 6.

*Source: 2000 5% PUMS files.*

### Table 4.2. Descriptive Statistics for Local Occupations, Greater Los Angeles and San Francisco Bay Area, 2000

<table>
<thead>
<tr>
<th>Variable</th>
<th>Los Angeles CMSA (N = 452 occupations)</th>
<th>San Francisco CMSA (N = 400 occupations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion recent-immigrant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latino men</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Proportion female</td>
<td>.36</td>
<td>.40</td>
</tr>
<tr>
<td>Natives' years of education</td>
<td>13.47</td>
<td>13.86</td>
</tr>
<tr>
<td>Natives' potential experience&lt;sup&gt;a&lt;/sup&gt;</td>
<td>20.31</td>
<td>20.51</td>
</tr>
<tr>
<td>Proportion part-time</td>
<td>.18</td>
<td>.20</td>
</tr>
<tr>
<td>Proportion public sector</td>
<td>.15</td>
<td>.15</td>
</tr>
<tr>
<td>Union density (proportion covered)</td>
<td>.18</td>
<td>.19</td>
</tr>
<tr>
<td>Private sector union density</td>
<td>.11</td>
<td>.13</td>
</tr>
</tbody>
</table>

<sup>a</sup> Potential experience is estimated as age minus years of education minus 6.

*Source: 2000 5% PUMS files.*
ranged widely, from 0% to 26% in Los Angeles and 0% to 34% in the Bay Area. The distribution is highly skewed, meaning that recent-immigrant Latino men were highly concentrated in a relatively small number of occupations. The representation of women in local occupations varied widely (0% to 98% in Los Angeles and 0% to 99% in the San Francisco Bay Area), with averages of 36% in Los Angeles and 40% in the Bay Area. Occupations’ mean education levels for native-born workers had a broad range (9 to 19.2 years in Los Angeles and 9.6 to 19.6 years in the San Francisco Bay Area), with averages of 13.5 and 13.9, respectively. The other proxy for occupational skill, natives’ mean experience, averaged just over 20 years and ranged widely (nearly 5 to 45 years in Los Angeles, nearly 4 to 40 years in the Bay Area). The share of part-time workers in occupations averaged 18% in Los Angeles and 20% in the San Francisco Bay Area; the range was 0% to 78% and 0% to 76%, respectively. Occupations’ average representation of public sector employees was 15%, and union coverage in these occupations ranged from 2% to 56% in greater Los Angeles and 3% to 54% in the Bay Area, with means of 18% and 19%, respectively. Private sector union coverage averaged 11% in greater Los Angeles and 13% in the Bay Area, with respective ranges of 2% to 30% and 3% to 34%.

**Labor Force Representation and Occupational Segregation**

Recent-immigrant Latino men comprise a relatively low proportion of the total workforce, even in California’s largest metropolitan areas. Figure 4.1 compares their share of the labor force in each metropolitan area with the shares of native White, native African American, native Latino, and earlier-immigrant Latino men.6

Recent-immigrant Latino men constituted only 2.1% of the local labor force in greater Los Angeles and 1.4% in the Bay Area labor force. The representation of earlier-immigrant Latino men was 11.2% in Los Angeles and 4.5% in the Bay Area. Native White men had the highest representation, with 22.3% in Los Angeles and 27.2% in the Bay Area.7

Despite their very small share of the total labor force, recent-immigrant Latino men were overrepresented in many brown-collar occupations, making up more than a quarter of incumbents in some of these fields. Table 4.3 lists local occupations with the most pronounced representation of recent-immigrant Latino men (column 1). In many of these fields the majority of incumbents were immigrant Latino men (combining earlier immigrants and recent arrivals; see column 3).8 These brown-collar occupations are largely in low-level service, construction, manufacturing, and agriculture. Columns 4, 5, and 6 show the percentages of occupational incumbents

6. The denominator for these percentages is total workforce (including women and men of all ethnic and immigrant groups).
7. The figure does not show the shares of other groups in the labor force (for example, women or Asian Americans), so the bars do not total 100%.
8. Because the analyses here are limited to males, and given the pronounced gender segregation, this list does not include those brown-collar fields in which immigrant Latina women predominate.
who were native Latino, native African American, and native White. Using 1.5 times the labor force share as a cutoff for overrepresentation, native Latino men are overrepresented in more than half of these fifty occupations, native African Americans are overrepresented in eleven, and native Whites in only three.

The final two columns of Table 4.3 provide information on union coverage in these fields. Although these brown-collar occupations show generally low levels of union coverage, union density levels were above the mean in approximately one-third of these occupations (sixteen occupations with above-average union coverage, and eighteen with above-average private sector union coverage).

Figure 4.2 indicates that newcomer Latino men are highly segregated from native-born men, especially Whites. The measure of segregation shown in the figure may be interpreted as the percentage of recent-immigrant Latino men that would have to change to an occupation currently typical of the other group to achieve integration relative to that group. For example, approximately two-thirds of newcomer Latino men (66% in Los Angeles and 70% in the Bay Area) would have to switch to occupations held by native White men to integrate these two groups across occupations. The least extent of segregation was found between newcomer Latinos and earlier-immigrant Latinos; nevertheless, at 25% for Los Angeles and 28% for the Bay Area, it was still substantial.9

9. Figure 4.2 uses the Duncan and Duncan (1955) Dissimilarity Index (DI), which has a possible range of 0 (indicating complete integration) to 100 (indicating absolute segregation). The Association Index (Charles and Grusky 1995) shows a similar pattern of pronounced occupational segregation from native workers and far less from earlier-immigrant Latinos. The Association Index is compositionally invariant and therefore is better suited to the comparisons of interest here. I present the DI because it is more widely used and understood.
### Table 4.3: Top Fifty Brown-Collar Occupations with Highest Representation of Recent-Immigrant Latino Men, Greater Los Angeles and San Francisco Bay Area, 2000

<table>
<thead>
<tr>
<th>CMSA</th>
<th>Occupation</th>
<th>Recent-Immigrant Latino Men</th>
<th>Earlier-Immigrant Latino Men</th>
<th>Immigrant Latino Men</th>
<th>Native Latino Men</th>
<th>Native African American Men</th>
<th>Native White Men</th>
<th>Union Coverage</th>
<th>Private Sector Union Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF</td>
<td>Helpers: installation, maintenance, and repair</td>
<td>33.8%</td>
<td>19.7%</td>
<td>53.5%</td>
<td>26.3%</td>
<td>5.6%</td>
<td>9.9%</td>
<td>15.9%</td>
<td>14.7%</td>
</tr>
<tr>
<td>SF</td>
<td>Plasterers and stucco masons</td>
<td>26.4%</td>
<td>32.6%</td>
<td>59.0%</td>
<td>6.9%</td>
<td>4.2%</td>
<td>28.7%</td>
<td>33.6%</td>
<td>31.9%</td>
</tr>
<tr>
<td>LA</td>
<td>Dishwashers</td>
<td>25.8%</td>
<td>35.9%</td>
<td>61.7%</td>
<td>8.8%</td>
<td>1.4%</td>
<td>8.9%</td>
<td>10.4%</td>
<td>8.7%</td>
</tr>
<tr>
<td>SF</td>
<td>Dishwashers</td>
<td>25.7%</td>
<td>23.9%</td>
<td>49.6%</td>
<td>4.1%</td>
<td>3.4%</td>
<td>10.6%</td>
<td>12.2%</td>
<td>11.0%</td>
</tr>
<tr>
<td>SF</td>
<td>Helpers: production workers</td>
<td>21.1%</td>
<td>20.5%</td>
<td>41.6%</td>
<td>4.6%</td>
<td>2.1%</td>
<td>7.5%</td>
<td>13.3%</td>
<td>11.6%</td>
</tr>
<tr>
<td>SF</td>
<td>Wood sawing machine setters, operators, and tenders</td>
<td>19.7%</td>
<td>12.7%</td>
<td>32.5%</td>
<td>3.7%</td>
<td>7.4%</td>
<td>25.2%</td>
<td>8.2%</td>
<td>8.1%</td>
</tr>
<tr>
<td>SF</td>
<td>Helpers: construction trades</td>
<td>17.5%</td>
<td>45.1%</td>
<td>62.6%</td>
<td>5.3%</td>
<td>1.7%</td>
<td>24.7%</td>
<td>30.0%</td>
<td>28.2%</td>
</tr>
<tr>
<td>SF</td>
<td>Grinding, lapping, polishing, and buffing</td>
<td>17.1%</td>
<td>30.1%</td>
<td>47.1%</td>
<td>9.2%</td>
<td>6.2%</td>
<td>14.2%</td>
<td>8.9%</td>
<td>8.1%</td>
</tr>
<tr>
<td>SF</td>
<td>Cleaners of vehicles and equipment</td>
<td>16.7%</td>
<td>24.7%</td>
<td>41.3%</td>
<td>7.0%</td>
<td>8.5%</td>
<td>18.2%</td>
<td>14.6%</td>
<td>12.7%</td>
</tr>
<tr>
<td>LA</td>
<td>Forest and conservation workers</td>
<td>16.6%</td>
<td>49.0%</td>
<td>65.6%</td>
<td>3.7%</td>
<td>13.9%</td>
<td>6.6%</td>
<td>18.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>LA</td>
<td>Shoe machine operators and tenders</td>
<td>16.4%</td>
<td>44.3%</td>
<td>60.8%</td>
<td>1.8%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>9.3%</td>
<td>9.1%</td>
</tr>
<tr>
<td>LA</td>
<td>Helpers: installation, maintenance, and repair</td>
<td>15.6%</td>
<td>44.1%</td>
<td>59.8%</td>
<td>11.8%</td>
<td>0.0%</td>
<td>10.6%</td>
<td>12.6%</td>
<td>10.8%</td>
</tr>
<tr>
<td>LA</td>
<td>Helpers: construction trades</td>
<td>15.5%</td>
<td>39.3%</td>
<td>54.8%</td>
<td>16.6%</td>
<td>1.6%</td>
<td>16.1%</td>
<td>19.9%</td>
<td>16.7%</td>
</tr>
<tr>
<td>LA</td>
<td>Wood sawing machine setters, operators, and tenders</td>
<td>14.8%</td>
<td>50.5%</td>
<td>65.3%</td>
<td>9.0%</td>
<td>0.0%</td>
<td>6.3%</td>
<td>8.9%</td>
<td>8.7%</td>
</tr>
<tr>
<td>LA</td>
<td>Cleaners of vehicles and equipment</td>
<td>14.6%</td>
<td>41.1%</td>
<td>55.7%</td>
<td>10.7%</td>
<td>3.9%</td>
<td>12.0%</td>
<td>10.7%</td>
<td>9.5%</td>
</tr>
<tr>
<td>SF</td>
<td>Logging workers</td>
<td>14.5%</td>
<td>27.4%</td>
<td>41.9%</td>
<td>11.9%</td>
<td>0.0%</td>
<td>31.5%</td>
<td>7.4%</td>
<td>7.3%</td>
</tr>
<tr>
<td>LA</td>
<td>Furniture finishers</td>
<td>14.3%</td>
<td>49.4%</td>
<td>63.7%</td>
<td>7.5%</td>
<td>0.0%</td>
<td>17.7%</td>
<td>8.5%</td>
<td>8.3%</td>
</tr>
<tr>
<td>LA</td>
<td>Grinding, lapping, polishing, and buffing</td>
<td>14.2%</td>
<td>53.1%</td>
<td>67.3%</td>
<td>9.0%</td>
<td>0.7%</td>
<td>7.7%</td>
<td>8.9%</td>
<td>8.7%</td>
</tr>
<tr>
<td>LA</td>
<td>Miscellaneous agricultural workers, including animal breeders</td>
<td>14.0%</td>
<td>42.9%</td>
<td>56.9%</td>
<td>6.6%</td>
<td>0.3%</td>
<td>2.6%</td>
<td>4.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>SF</td>
<td>Miscellaneous agricultural workers, including animal breeders</td>
<td>13.6%</td>
<td>40.0%</td>
<td>53.6%</td>
<td>5.6%</td>
<td>1.3%</td>
<td>5.9%</td>
<td>4.8%</td>
<td>4.6%</td>
</tr>
<tr>
<td>LA</td>
<td>Woodworking machine setters, operators</td>
<td>13.5%</td>
<td>41.0%</td>
<td>54.5%</td>
<td>14.9%</td>
<td>2.1%</td>
<td>12.9%</td>
<td>10.2%</td>
<td>9.8%</td>
</tr>
<tr>
<td>SF</td>
<td>Fence erectors</td>
<td>13.0%</td>
<td>38.8%</td>
<td>51.7%</td>
<td>14.1%</td>
<td>3.3%</td>
<td>23.0%</td>
<td>32.9%</td>
<td>31.2%</td>
</tr>
<tr>
<td>Industry Description</td>
<td>LA</td>
<td>SF</td>
<td>LA</td>
<td>SF</td>
<td>LA</td>
<td>SF</td>
<td>LA</td>
<td>SF</td>
<td>LA</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------------</td>
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<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Grounds maintenance workers</td>
<td>12.9%</td>
<td>52.7%</td>
<td>65.6%</td>
<td>10.0%</td>
<td>2.3%</td>
<td>12.4%</td>
<td>9.3%</td>
<td>7.0%</td>
<td></td>
</tr>
<tr>
<td>Textile cutting machine setters, operators, and tenders</td>
<td>12.8%</td>
<td>48.8%</td>
<td>61.7%</td>
<td>2.2%</td>
<td>1.3%</td>
<td>3.6%</td>
<td>8.4%</td>
<td>8.4%</td>
<td></td>
</tr>
<tr>
<td>Roofer</td>
<td>12.8%</td>
<td>42.8%</td>
<td>55.5%</td>
<td>10.6%</td>
<td>3.3%</td>
<td>24.0%</td>
<td>33.3%</td>
<td>31.4%</td>
<td></td>
</tr>
<tr>
<td>Drywall and ceiling tile installers</td>
<td>12.7%</td>
<td>30.2%</td>
<td>42.9%</td>
<td>8.0%</td>
<td>6.7%</td>
<td>34.6%</td>
<td>33.2%</td>
<td>31.5%</td>
<td></td>
</tr>
<tr>
<td>Dining room and cafeteria attendants</td>
<td>12.7%</td>
<td>18.3%</td>
<td>31.0%</td>
<td>6.4%</td>
<td>2.0%</td>
<td>17.6%</td>
<td>12.7%</td>
<td>11.0%</td>
<td></td>
</tr>
<tr>
<td>Paving, surfacing, and tamping equipment operators</td>
<td>12.4%</td>
<td>32.9%</td>
<td>45.3%</td>
<td>23.0%</td>
<td>7.7%</td>
<td>18.7%</td>
<td>19.7%</td>
<td>17.4%</td>
<td></td>
</tr>
<tr>
<td>Subway, streetcar, and other rail transport workers</td>
<td>12.2%</td>
<td>23.1%</td>
<td>35.3%</td>
<td>10.2%</td>
<td>8.3%</td>
<td>24.3%</td>
<td>25.7%</td>
<td>19.7%</td>
<td></td>
</tr>
<tr>
<td>Lathe and turning machine tool setters</td>
<td>12.1%</td>
<td>36.4%</td>
<td>48.5%</td>
<td>9.6%</td>
<td>4.8%</td>
<td>15.0%</td>
<td>8.7%</td>
<td>8.6%</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous woodworkers, including model and pattern makers</td>
<td>12.0%</td>
<td>4.7%</td>
<td>16.7%</td>
<td>13.4%</td>
<td>1.9%</td>
<td>56.8%</td>
<td>6.2%</td>
<td>6.2%</td>
<td></td>
</tr>
<tr>
<td>Painting workers</td>
<td>11.7%</td>
<td>51.9%</td>
<td>63.5%</td>
<td>9.2%</td>
<td>2.6%</td>
<td>8.9%</td>
<td>9.0%</td>
<td>8.2%</td>
<td></td>
</tr>
<tr>
<td>Brick masons, block masons, and stonemasons</td>
<td>11.6%</td>
<td>19.5%</td>
<td>31.1%</td>
<td>10.5%</td>
<td>3.9%</td>
<td>49.7%</td>
<td>32.0%</td>
<td>30.2%</td>
<td></td>
</tr>
<tr>
<td>Construction laborers</td>
<td>11.5%</td>
<td>46.1%</td>
<td>57.5%</td>
<td>10.9%</td>
<td>3.0%</td>
<td>20.2%</td>
<td>19.5%</td>
<td>17.1%</td>
<td></td>
</tr>
<tr>
<td>Construction laborers</td>
<td>11.4%</td>
<td>31.9%</td>
<td>43.3%</td>
<td>9.1%</td>
<td>4.3%</td>
<td>29.1%</td>
<td>33.0%</td>
<td>31.1%</td>
<td></td>
</tr>
<tr>
<td>Painters, construction, and maintenance</td>
<td>11.4%</td>
<td>43.4%</td>
<td>54.8%</td>
<td>8.8%</td>
<td>2.9%</td>
<td>20.3%</td>
<td>19.1%</td>
<td>16.3%</td>
<td></td>
</tr>
<tr>
<td>Electronic equipment installers and rep for motor vehicles</td>
<td>11.3%</td>
<td>30.6%</td>
<td>41.9%</td>
<td>9.9%</td>
<td>3.1%</td>
<td>25.5%</td>
<td>9.5%</td>
<td>9.0%</td>
<td></td>
</tr>
<tr>
<td>Textile knitting and weaving machines</td>
<td>11.1%</td>
<td>27.4%</td>
<td>38.5%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>8.4%</td>
<td>8.5%</td>
<td></td>
</tr>
<tr>
<td>Grounds maintenance workers</td>
<td>10.9%</td>
<td>35.5%</td>
<td>46.4%</td>
<td>7.2%</td>
<td>3.4%</td>
<td>23.6%</td>
<td>8.6%</td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td>Helpers: production workers</td>
<td>10.9%</td>
<td>36.8%</td>
<td>47.7%</td>
<td>8.7%</td>
<td>1.4%</td>
<td>9.2%</td>
<td>10.0%</td>
<td>8.5%</td>
<td></td>
</tr>
<tr>
<td>Cooks</td>
<td>10.8%</td>
<td>21.8%</td>
<td>32.5%</td>
<td>4.7%</td>
<td>1.8%</td>
<td>9.5%</td>
<td>12.8%</td>
<td>11.1%</td>
<td></td>
</tr>
<tr>
<td>Upholsterers</td>
<td>10.5%</td>
<td>59.5%</td>
<td>70.0%</td>
<td>9.6%</td>
<td>1.3%</td>
<td>5.0%</td>
<td>8.9%</td>
<td>8.6%</td>
<td></td>
</tr>
<tr>
<td>Cement masons, concrete finishers, and terrazzo workers</td>
<td>10.5%</td>
<td>35.7%</td>
<td>46.2%</td>
<td>15.1%</td>
<td>8.7%</td>
<td>26.6%</td>
<td>32.7%</td>
<td>30.6%</td>
<td></td>
</tr>
<tr>
<td>Butchers and other meat, poultry, and fish processors</td>
<td>10.2%</td>
<td>41.6%</td>
<td>51.8%</td>
<td>10.7%</td>
<td>2.7%</td>
<td>15.6%</td>
<td>8.3%</td>
<td>8.1%</td>
<td></td>
</tr>
<tr>
<td>Hazardous materials</td>
<td>9.7%</td>
<td>33.4%</td>
<td>43.1%</td>
<td>7.7%</td>
<td>7.6%</td>
<td>23.3%</td>
<td>26.5%</td>
<td>11.8%</td>
<td></td>
</tr>
<tr>
<td>Painters, construction, and maintenance</td>
<td>9.4%</td>
<td>23.5%</td>
<td>32.9%</td>
<td>8.2%</td>
<td>3.9%</td>
<td>35.3%</td>
<td>31.9%</td>
<td>29.7%</td>
<td></td>
</tr>
<tr>
<td>Molders, shapers, and casters, X metal and plastic</td>
<td>9.1%</td>
<td>38.8%</td>
<td>47.9%</td>
<td>2.4%</td>
<td>2.5%</td>
<td>24.0%</td>
<td>10.0%</td>
<td>9.4%</td>
<td></td>
</tr>
<tr>
<td>Iron and steel workers</td>
<td>8.8%</td>
<td>12.4%</td>
<td>21.2%</td>
<td>13.6%</td>
<td>4.2%</td>
<td>50.2%</td>
<td>30.3%</td>
<td>28.5%</td>
<td></td>
</tr>
<tr>
<td>Pressers of textiles, garments, and related materials</td>
<td>8.6%</td>
<td>28.8%</td>
<td>37.3%</td>
<td>1.9%</td>
<td>1.1%</td>
<td>0.5%</td>
<td>6.8%</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>Graders and sorters of agricultural products</td>
<td>8.5%</td>
<td>15.0%</td>
<td>23.5%</td>
<td>3.4%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>6.1%</td>
<td>5.6%</td>
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</tr>
</tbody>
</table>

Union Density

Figure 4.3 provides information on union density by major industry group for the Los Angeles and San Francisco areas; it shows unionization rates for public and private sectors combined.10 Because newcomer Latinos are less likely to find employment in the public sector, any analysis of the impact of union density on wage penalties must examine the mediating effects not only of overall union density within occupations but also of private-sector unionization within those fields. Figure 4.4 provides comparable data for the private sector only.

As expected, overall union density—that is, for public and private sectors combined—was highest in public administration, at 56% and 54% in the Los Angeles and San Francisco areas, respectively. Transportation, communications, and utilities also had a high rate of unionization. Unionization was least common in finance, insurance, and real estate (FIRE); agriculture, forestry, fishing, and mining; business and repair services; durable goods manufacturing; and wholesale trade.

Contrast between the two metropolitan areas was greatest in the construction

10. Union coverage includes both (a) members of unions and employee associations and (b) others covered by union or employee association contracts. The vast majority of covered workers are in the former category. (See Appendix A for more detail on the construction of this variable.)
industry: overall union density was 34% in the Bay Area, but only 20% in greater Los Angeles. This difference was even more pronounced in the private sector, with almost twice as many unionized construction workers in the Bay Area (32%, versus 17% in greater Los Angeles). The difference in entertainment and recreation services was also marked: 23% of public and private sector workers in Los Angeles, but only 12% in the Bay Area, were covered by a union contract. For the private sector of this industry group the difference was similar: 22% in Los Angeles versus 9% in the Bay Area.

**Impact of Unionization on Pay Penalties**

Men with brown-collar jobs experienced a substantial wage penalty, as Figure 4.5 shows. Workers in these fields—whether they were native-born White, African American, or native Latino men or earlier-immigrant Latino men—earned less than did other workers with similar labor force characteristics and in comparable local
occupations. This finding holds even when other occupational characteristics are taken into account: brown-collar occupations pay less than do jobs in other fields when other variables are controlled.11

The average worker employed in an occupation in which 15% of incumbents were newcomer Latino men earned $8,855 per year less in Los Angeles and $6,522 less in the Bay Area than did a comparable worker in an occupation with no newcomer Latino men.12 The penalties decreased as the percentage of newcomer Latino men

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11. These variables are: percentage female, proportion part-time, proportion in the public sector, natives’ average education, natives’ average experience, and union density. The model on which Figure 4.5 is based is the “intermediate” model described in Appendix A. They are simpler versions of the models presented in the first column of Appendix B; they include the main effect of union density, but not the interaction of unionization with recent-immigrant Latino men. Parameter estimates are available on request. Also note that the skill proxies are based on average education and experience data for native workers and, thus, they are unaffected by the relatively low average human capital of newcomer Latinos.

12. Because the modeling uses the natural logarithm of earnings, the effects are nonlinear—that is, the wage penalties associated with recent-immigrant Latino men vary at different points of
dropped: 10% representation produced penalties of $6,128 and $4,433 in Los Angeles and the Bay Area, respectively; 5% representation yielded penalties of $3,182 and $2,261. These are substantial wage discounts, given that in 1999 the average annual earnings for the men in the study sample were $42,796 in Los Angeles and $58,224 in the Bay Area. Those working in Los Angeles not only had lower average wages than did their counterparts in San Francisco but also experienced considerably larger wage penalties.

How are these pay penalties affected by unionization? The analyses suggest that penalties are smaller where union density is higher, as Figures 4.6 and 4.7 show. For example, in greater Los Angeles (see Figure 4.6), a man working in an occupation in which newcomer Latino men comprised 15% of the workforce absorbed a

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**Figure 4.5.** Wage Penalties for Average Worker in Brown-Collar Occupations, Greater Los Angeles and San Francisco Bay Area, 2000

**Source:** 2000 5% PUMS files.

**Note:** Penalties are computed at the mean of annual earnings: Los Angeles, $42,796; San Francisco, $58,224.

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the earnings distribution (for workers with different individual and occupational characteristics). The penalties represented in Figure 4.5 are calculated at the mean of earnings. Also note that, while the range of recent-immigrant Latino men goes up to 34%, these graphs are truncated at 20%, as there are only five occupations with more than 20% newcomer Latino men.

13 Parameter estimates for the greater Los Angeles and Bay Area models with overall versus private sector union density are provided as Appendix B. The values for union density in the figures start at 2% (the minimum), and the distribution is truncated at 32%. Although union density ranges up to 56%, highly unionized occupations tend to have very fairly low representation of newcomer Latinos, as Table 4.3 shows. There are no brown-collar occupations with more than 34% union coverage. To be specific, at union coverage rates greater than 34%, the share of newcomer Latino men ranges from 0% to 3%.
Figure 4.6. Wage Penalties for Average Worker in Brown-Collar Occupations, by Union Density, Greater Los Angeles, 2000
Note: Penalties are computed at the mean of annual earnings: Los Angeles, $42,796.

Figure 4.7. Wage Penalties for Average Worker in Brown-Collar Occupations, by Union Density, San Francisco Bay Area, 2000
Note: Penalties are computed at the mean of annual earnings: San Francisco, $58,224.
wage penalty of $10,921 when only 2% of the workers in this occupation were unionized. When 32% of workers were covered by a union contract the penalty plummeted to $4,045. The brown-collar penalties declined steadily as union density rose in both metropolitan areas, although the brown-collar penalties varied more in the Bay Area than in Los Angeles.

Because newcomer Latinos are so highly concentrated in the private sector, private sector workers are likely to be most susceptible to brown-collar pay penalties. Public sector workers, who are unlikely to share workplaces with newcomer Latinos, tend to be buffered from penalties, and this buffer is reinforced by the greater union density that is characteristic of the public sector. Unionization rates mitigated wage penalties in the private sector, as shown in Figures 4.8 and 4.9. In fact, in greater Los Angeles the mediating effect of private sector unionization (see Figure 4.8) was stronger than that of overall unionization (see Figure 4.6). This is reflected in the larger spread between lines on the graph in Figure 4.8 than in Figure 4.6.

Unionization, then, did have an impact on brown-collar wage penalties in greater Los Angeles and the San Francisco Bay Area. Workers in fields that had a higher rate of unionization suffered smaller penalties than did workers in less unionized occupations. It appears that workers without union representation bear the brunt of wage penalties in brown-collar occupations.

**Nationwide Comparison**

To determine whether the results for California’s two largest immigrant-receiving metropolitan areas represent a general phenomenon, further analyses were conducted for all the ten immigrant-receiving CMSAs in the United States combined. Brown-collar wage penalties were significantly lower in local occupations with higher rates of overall union density. However, wage penalties did not vary significantly by private sector union density in the national analyses. Further, both the brown-collar

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14. These penalties are calculated at the mean of annual earnings. Hence, they approximate penalties for workers with average individual and local occupation characteristics.

15. The interaction of overall union density*proportion recent-immigrant Latino men is statistically significant in the Bay Area, but just shy of statistical significance in greater Los Angeles (p < .054). An alternative model combining the two CMSAs also shows a statistically significant interaction. The results for overall union density in Los Angeles should be regarded as strongly suggestive.

16. The interaction of private sector union density with recent-immigrant Latino men is statistically significant in both the Los Angeles and San Francisco CMSAs.

17. Results are available on request. This sample is comprised of CMSAs in which at least 1% of the labor force is recent-immigrant Latinos: greater Los Angeles, the San Francisco Bay Area, Chicago-Gary-Kenosha, Dallas–Ft. Worth, Denver-Boulder-Greeley, Houston-Galveston-Brazoria, Miami–Ft. Lauderdale, New York–Northern New Jersey–Long Island, Portland-Salem, and Washington-Baltimore. These multilevel models utilize data for 766,570 individuals and 3,877 local occupations (occupations-in-CMSAs).
Percentage of Recent-Immigrant Latino Men in Local Occupations

Figure 4.8. Wage Penalties for Average Worker in Brown-Collar Occupations in Private Sector, by Union Density, Greater Los Angeles, 2000


Note: Penalties are computed at the mean of annual earnings: Los Angeles, $42,796.

Percentage of Recent-Immigrant Latino Men in Local Occupations

Figure 4.9. Wage Penalties for Average Worker in Brown-Collar Occupations in Private Sector, by Union Density, San Francisco Bay Area, 2000


Note: Penalties are computed at the mean of annual earnings: San Francisco, $58,224.
wage penalty and the mitigating effect of unionization appeared to be smaller in the national models than in California.

**CONCLUSION**

Employment in brown-collar occupations carried substantial wage disadvantages for native-born workers and earlier-immigrant Latinos, both in California and nationally, in 2000. This was the case across primary metropolitan statistical areas in 1990 (Catanzarite 2003, 2004) and for greater Los Angeles, at least, in 1980 as well (Catanzarite 1998). In addition, the presence of newcomer Latinos lowered relative wages for other workers in Los Angeles between 1980 and 1990, thus establishing a causal order (Catanzarite 2002). The findings reported here provide further evidence that new immigrants adversely influence wages for both natives and earlier immigrants working in brown-collar jobs.

The analyses also demonstrate that wage competition with new immigrants can be mitigated. The presence of unionization significantly reduces wage suppression in brown-collar occupations by improving working conditions and wages; where union density is high, workers incur smaller wage penalties than do their counterparts in less unionized fields. Union density is treated here as a structural feature of local occupations, and the implied mechanism for its influence is that the greater power to shape wages and working conditions benefits workers in the unionized segment of an occupation and those in the nonunionized segment as well. Those most likely to benefit from unionization are individuals covered under collective bargaining agreements, but the mere presence of such arrangements in a local occupation should push up prevailing wages and provide some benefits for nonunion workers.

This study suggests that recent-immigrant Latinos should be reaping some of the benefits brought about by high unionization rates in their local occupations. Yet, because newcomers are less likely to join a union (Waldinger and Der-Martorisian 2000), and because they are more likely to be employed in informal arrangements (for example, in residential construction or private household gardening), the effects of union density, including spillover effects, are likely to be small, particularly for the most marginalized workers.

The same logic applies to earlier-immigrant Latinos. Although they are more established than newcomers, this group is relatively unlikely to be unionized and includes a large share of unauthorized workers who are employed under informal arrangements. Unionization is less likely to buffer these workers from brown-collar wage penalties than is the case for native-born workers. In general, earlier immigrants suffer more negative consequences of immigration than do natives simply because they compete most directly with recent-immigrant Latinos. They are more likely than natives to be working side by side with newcomer Latinos (see Catanzarite 1998, 2004; Grossman 1982; Smith and Edmonston 1997); they are also more
likely than natives to be employed at the same worksites as newcomer Latinos and to have jobs that are similar. Earlier-immigrant Latinos also suffer larger pay penalties than do native-born workers (Catanzarite 1998, 2004).

Union representation may give greater protection to natives than to immigrants, but native-born workers still experience wage competition in the form of substantial brown-collar pay penalties. Both native-born men and earlier-immigrant Latino men in these jobs suffer a substantial wage discount relative to their counterparts in other fields.

These findings do not support a sweeping conclusion that immigration is generally harmful to native workers (as I have also noted elsewhere; see Catanzarite 2003, 2004). Many brown-collar occupations thrive precisely because of the availability of immigrant labor. If cheap immigrant labor were not abundant, more labor-intensive operations would relocate overseas and private household jobs might be performed by family members. Further, the population growth that accompanies immigration creates a broad range of job opportunities for native-born workers in production and services, and it thus provides many potential avenues for employment for native-born workers outside brown-collar fields.

The debate about competition between native-born and immigrant workers has given scarce attention to policies that would lessen the potentially negative effects of immigration on wages. Given the likelihood that undocumented immigration will continue, and that policies intended to prevent it will remain relatively ineffective, policy debate should focus on identifying mechanisms to raise the status of less-skilled immigrants, not continually reargue the pros and cons of immigration restriction. The finding that union density buffers other workers from brown-collar wage effects indicates that policies to address immigrant wage competition can be mutually beneficial to newcomers and to the more established groups with whom they may compete. Strengthening the position of marginal workers in this way may, indeed, protect those higher in the employment hierarchy.

Unionization generally improves wages, regardless of the composition of any given occupation or industry in which it appears. The findings reported here suggest that in immigrant-rich labor markets, like those in California's two largest metropolitan areas, improving conditions for disadvantaged immigrants through unionization might be an effective strategy to protect the interests of native-born workers. It is perhaps no accident, then, that organized labor in recent years has become much more supportive of immigrants’ rights and has devoted considerable attention to organizing immigrants, especially in California. Indeed, the AFL-CIO has been a

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18. See Milkman et al. 1998 on the positive relationship between the incidence of domestic service employment and cities’ immigrant presence.
19. Note also that some disadvantaged natives experience mobility out of brown-collar occupations into better positions; such workers complement immigrants and benefit from their influx. Others, however, may be pushed out of the labor force entirely if employers prefer newcomer Latinos in particular jobs.
leading voice in support of an amnesty for undocumented immigrants and, more generally, has emerged at the forefront of the immigration reform movement. This implicit recognition that native-born and immigrant workers have interests in common is borne out by the analyses presented here.

REFERENCES


APPENDIX A. Data and Methods

The analyses employ the 2000 5% Census PUMS in conjunction with the pooled 1998–2002 Current Population Survey (CPS) Merged Outgoing Rotation Group (MORG) files. The individual-level PUMS data are for men who are U.S.-born Whites, African Americans, or Latinos, or earlier-immigrant Latinos (arrived before 1995).\(^1\) The age range is eighteen to sixty-four; individuals must have worked in the prior year and lived in either the Los Angeles–Riverside–Orange CMSA or the San Francisco–Oakland–San Jose CMSA, both of which received substantial shares of recent-immigrant Latinos in the late 1990s. Recent immigrants are defined as those who came to the United States between 1995 and 2000. Supplemental analyses include eight other Latino immigrant-receiving CMSAs.\(^2\)

Multilevel models, discussed in detail below, predict workers’ earnings as a function of individual and occupation-within-CMSA characteristics.

Level-1 independent variables include: years of education, potential labor force experience (age minus education minus 6), potential experience squared, marital status, the natural logarithm of hours worked per week last year, the natural log of weeks worked, and dummy variables distinguishing native African Americans, native Latinos, and earlier-immigrant Latinos (with native Whites the omitted category). The dependent variable is the natural logarithm of annual earnings in the prior year.

At level two, I construct a dataset for occupation-within-CMSAs, aggregated from PUMS data on all individuals at least sixteen years of age in the relevant CMSAs who worked in the prior year. The analyses are restricted to occupation-CMSAs with at least twenty incumbents in order to avoid estimation problems associated with small cell sizes.\(^3\) The resulting level-2 datasets have 452 units for greater Los Angeles and 400 for the Bay Area.

The level-2 file includes information on the demographic composition of occupations within each CMSA (for example, the percentage of recent-immigrant Latino men, the percentage of women).\(^4\) It also contains aggregate indicators of skills in the local occupation (natives’ mean education, natives’ mean potential labor force experience). Because recent-immigrant Latinos tend to pile up in low-skill occupations (Catanzarite 2002), I control for

1. PUMS data are weighted by the census weighting field divided by the mean weight; thus, the sample size is still 5% of the population.
2. In preliminary analyses with the 1% Census PUMS, I identified CMSAs for potential inclusion based on labor force share of recent-immigrant Latinos. Casting a broad net, I included CMSAs with a minimum of 1% recent-immigrant Latinos (women and men combined). After compiling the 5% data on these candidate CMSAs, I eliminated three that had less than 1% recent-immigrant Latinos in this larger dataset (Boston-Worcester-Lawrence, Milwaukee-Racine, and Sacramento-Yolo). The ten that are included in the national analyses are: greater Los Angeles, the San Francisco Bay Area, Chicago-Gary-Kenosha, Dallas–Ft. Worth, Denver-Boulder-Greeley, Houston-Galveston-Brazoria, Miami–Ft. Lauderdale, New York–Northern New Jersey–Long Island, Portland-Salem, and Washington-Baltimore.
3. Because of this restriction, results may not be generalizable to very small local occupations.
4. In the Los Angeles and San Francisco areas, the lion’s share of immigrant Latinos are Mexican or Central American. Alternate analyses using local occupations’ share of recent-immigrant Mexican or Central American men did not differ substantially from those using the larger group of recent-immigrant Latino men either nationally or in California; hence I use the latter variable in the analyses presented here.
these skill proxies to avoid spurious effects. To further guard against possible spurious effects associated with contingent work, I construct controls for the proportion of part-time jobs and the proportion of public sector jobs in the occupation-CMSA. The level-2 data file also includes aggregated information on union density in each local occupation.

Union density in the occupation-CMSA is estimated using the CPS’s annual merged outgoing rotation group (MORG) data for 1998–2002. These five years of data, centered around 2000, are pooled to construct a sample large enough to produce reliable estimates of union density for major industry groups (MIGs) within CMSAs. The 1998–2002 pooled, unweighted Ns are 34,947 for greater Los Angeles and 12,348 for the San Francisco Bay Area. CPS data are weighted prior to constructing the union density variables, and the five-year weighted Ns are 27,992,967 for greater Los Angeles and 13,748,611 for the Bay Area.5

Employed civilian wage and salary workers, ages sixteen and over, are asked two questions concerning union coverage: whether the individual is a member of a labor union or an employee association similar to a union; and, if not, whether she or he is covered by a union or employee association contract. I constructed two unionization variables: union coverage (including both members and nonmembers), and private sector union coverage (for those employed in the private sector). I then collapsed the detailed industry categories to thirteen MIGs based on the 1990 industry classifications and aggregated the CPS data to obtain unionization rates in each local major industry group (that is, each MIG-within-CMSA). These data were then merged onto the individual-level PUMS file, matching by 1990 MIG.6 Thus, each individual in the census was assigned a union density variable corresponding to their local industry (for example, workers employed in the greater Los Angeles wholesale trade industry receive a union coverage score of 7%). When these data are aggregated to the occupation-CMSA level, they are averaged across incumbents in the local occupation and represent union density in the occupation—that is, each individual is assigned the unionization rate for their industry, and these are then averaged across workers in an occupation to get the occupation’s unionization rate.

I employed hierarchical modeling (Bryk and Raudenbush 1992; Wong and Mason 1991), predicting individuals’ annual earnings as a function of both individual-level and occupation-by-CMSA level characteristics. The key effects of interest are the influence of the proportion of recent-immigrant Latino men (RILM) in the local occupation on other men’s earnings and the interaction of RILM by occupations’ union density. I estimate the magnitude of pay penalties associated with brown-collar occupations and the mediating influence of union density on brown-collar wage penalties.

Models take into account the importance of other local occupation factors on the earnings determination process. Level 2 controls include local occupations’ proportion women, the skill proxies (mean of natives’ education, and mean of natives’ potential experience), employment regularity (proportion part-time, proportion public sector), as well as the main effect of union coverage.

5. I used the recently-released (and slightly improved) 2000 census-based weights for 2000 through 2002. (This differs from estimates on Hirsch and MacPherson’s www.unionstats.com website, as the revised weights were not yet released when they published their figures.) These are provided on the CPS-MORG files compiled by the National Bureau of Economic Research.

6. The coding of Census’s 2000 industries to 1990 MIGs was informed by the U.S. Census Bureau’s industry crosswalk (Scopp 2003)
The full models take the following form and are simultaneously estimated.

\[ y_{ij} = b_{0j} + b_{1j}\text{Native Black} + b_{2j}\text{Native Latino} + b_{3j}\text{Earlier-Imm Latino} + \text{BX} + e_{ij} \]  

(1)

where \( y_{ij} \) is the earnings of individual \( i \) in occupation-by-MA \( j \); \( X \) is a vector of individual characteristics, \( B \) is a vector of their coefficients, and \( e \) is the error term. The control variables are fixed across local occupations, with the exception of the ethnicity dummy variables. The latter are permitted to vary across occupation-CMSAs; this estimation decision is based on other research showing differential ethnicity effects across local occupations (Catanzarite 2004).

The occupation-by-MA models use the intercept, \( b_{0j} \), as the dependent variable:

\[ B_{0j} = a_{00} + \text{ZO} + r_{0j} \]  

(2)

where \( O \) is a vector of occupation-by-MA characteristics, including the main effects of RILM and union density, and in the final model, the interaction of these two terms. \( Z \) is a vector of their coefficients, and \( r \) is the error term.

An intermediate model, including the main effects of RILM and union coverage, but no error term, uses all grand-mean centered variables, with the exception of RILM. This model tests the overall effect of RILM on individual wages.

In the final model, all variables are grand-mean centered, except the terms for proportion RILM, union coverage, and the interaction of these two variables. The interaction of union coverage×proportion RILM tests whether brown-collar pay penalties are significantly lower in local occupations where industrial union density is higher. Alternative models use either overall unionization rates or private sector unionization within industries.

**VARIANCE ACROSS OCCUPATION-CMSA**

In addition to the two models discussed above, a baseline model, with no variables, but with an intercept that varies by occupation-CMSA, provides information on the variance of earnings across level 2 units. This analysis of variance yields an intraclass correlation coefficient of .26 in Los Angeles and .27 in the Bay Area, indicating that 26% of the variance in earnings is between occupations in Los Angeles and 27% is between occupations in the Bay Area. The models depicted graphically in Figures 4.8 and 4.9 (with the interaction of RILM by private sector union density) demonstrate that the wage determination process is strongly influenced by contextual factors associated with the local occupation: local occupations’ demographic composition, average skills, employment regularity, and private sector union density explain 94% of the between-occupation variance in greater Los Angeles and 93% in the San Francisco Bay Area.
### APPENDIX B. Occupation-Level Effects on Individual-Level Coefficients from Between-Context Hierarchical Linear Model Regressions

**Greater Los Angeles and San Francisco Bay Areas, 2000**

Independent Variables:

<table>
<thead>
<tr>
<th>Occupation-Level Effects</th>
<th>Dependent Variable: Level-1 Intercept</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Los Angeles CMSA</td>
</tr>
<tr>
<td>Intercept</td>
<td>10.140 (.026)***</td>
</tr>
<tr>
<td>Proportion recent-immigrant latino men (RILM)</td>
<td>-2.051 (.397)***</td>
</tr>
<tr>
<td>Proportion female</td>
<td>-.095 (.032)**</td>
</tr>
<tr>
<td>Natives’ mean education</td>
<td>.092 (.008)***</td>
</tr>
<tr>
<td>Natives’ mean potential experience</td>
<td>-.005 (.002)*</td>
</tr>
<tr>
<td>Proportion public employed</td>
<td>.016 (.063)</td>
</tr>
<tr>
<td>Proportion part-time</td>
<td>-.775 (.071)***</td>
</tr>
<tr>
<td>Union density (proportion covered)</td>
<td>.252 (.143)*</td>
</tr>
<tr>
<td>Union density × RILM</td>
<td>4.341 (2.694)†</td>
</tr>
<tr>
<td>Private sector union density</td>
<td>—</td>
</tr>
<tr>
<td>Private sector union density × RILM</td>
<td>—</td>
</tr>
</tbody>
</table>


Note: *p < .05; **p < .01; ***p < .001, one-tailed; †p < .054, one-tailed.
Strikes and lockouts dominated the news in Southern California in the fall of 2003, focusing national attention on labor relations in the state. The region experienced two major disputes. The first, a strike against the Los Angeles County Metropolitan Transit Authority, closed down public buses, subways, and light rail, causing considerable inconvenience. The second was a strike at Safeway-owned supermarkets that began on October 11, 2003, and then escalated when two other grocery chains locked out their workers the next day. The four-month-long strike and lockout affected tens of thousands of workers and many members of the shopping public, who faced picket lines and media coverage. The strike and its outcome will likely influence bargaining not only in Northern California, where supermarket contracts expire later in 2004, but also in other parts of the country. The issue of health insurance benefits was central to both disputes, signaling a growing concern for California’s (and the nation’s) workers. The debate over employer-provided health care has also generated a new law and a repeal initiative that will appear on the ballot in November as Proposition 72.

This chapter provides more detail on these and other recent developments. It begins with an overview of union membership in California, followed by a discussion of labor disputes and a portrait of the state’s union contracts. I then review recent political, economic, and regulatory developments, concluding with an account of the supermarket strike and other notable events affecting labor relations.

Union Coverage Trends

Unionization coverage rates in California have declined over the past few decades, just as they have in the United States, but California has maintained a somewhat higher unionization rate than the country as a whole. The four-year moving average shown in Figure 5.1 suggests some stabilization of the unionization rate in California.
in recent years despite a continued erosion nationally.\textsuperscript{1} California has a relatively high unionization rate in the public sector—almost 60\% of public sector workers in California are union-represented—when compared with workers nationwide.\textsuperscript{2} In both California and the United States the slippage in the union representation rate is a private-sector phenomenon; the public sector shows little downward trend. The result, a growing percentage share of public sector workers in the union movement, increases the significance of fiscal distress at the state and local level for union-management labor relations.\textsuperscript{3}

**Labor Disputes**

Although California has been the site of several major labor disputes in recent years—not only the supermarket strike and lockout but also such high-profile events as the longshore lockout and the university teaching assistant strike—the state is not especially prone to work stoppages, as an analysis of data from the U.S. Bureau of Labor Statistics (BLS) on labor disputes involving 1,000 or more workers over the decade from 1993 to 2003 reveals. During 1993–2003 California accounted for about 17\% of the nation’s large strikes and lockouts (including some multistate strikes in which California was significantly involved), about the proportion one would expect

\begin{enumerate}
\item Data are from the Current Population Survey (BLS 2004a). Data in the figure refer to the non-agricultural sector.
\item The rate of union coverage in the United States is about four out of ten public sector workers.
\item See Milkman and Rooks 2003 for an overview of union membership in California.
\end{enumerate}
given the state’s share of collective bargaining contracts (as discussed below). The strikes are listed in Appendix A.

As Figure 5.2 shows, 46% of the stoppages in California were of one or two days’ duration; the median was about 3.5 days. Of the twenty-six stoppages that lasted no more than two days, eleven were in health care. Only 11% of the strikes lasted over sixty days. The duration distribution had a long tail, however: the mean was about twenty-three days during 1993–2003. Moreover, roughly the same proportions of workers were involved in the relatively long and the very short stoppages (Figure 5.3).4 In short, California is not especially strike-prone, but when long strikes have occurred they have attracted disproportionate public attention because of the disruption and drama involved.

CALIFORNIA UNION-MANAGEMENT CONTRACTS

For many years the BLS and the private Bureau of National Affairs, Inc. (BNA), conducted surveys of the contents of union-management contracts at the national

4. The long-duration data are heavily affected by a prolonged strike against advertisers by the Screen Actors Guild (SAG). Some of the 135,000 workers involved in this strike were not in California. And, because actors often work sporadically, many were not idled by the dispute at all. If the SAG strike is removed, the proportion of workers in the long strikes is cut in half.
level. These national surveys have been discontinued since the publication of BNA’s 1995 edition of Basic Patterns in Union Contracts. The California Department of Industrial Relations had a similar program at the state level that was terminated in the 1980s. Since that time content information for California union agreements has not been available.

To bring the contract record up to date, the BNA surveyed 100 major California contracts in its 2003 files for the UC Institute for Labor and Employment.5 Forty of these contracts were in manufacturing; the rest were in other sectors. Distribution of the contracts is shown in Appendix B. (Public sector contracts were not included, nor were multistate and national contracts such as those in the airline industry).

As Figure 5.4 shows, over half of all the surveyed union agreements were for four years or longer.6 This long duration was found in both manufacturing and nonmanufacturing; indeed, none of the manufacturing contracts had a duration of less than

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5. These California contracts had expiration dates of June 2003 or later. The vast majority of contracts in the BNA library are supplied by unions or management; the others either are supplied by the U.S. Department of Labor or are collected through other sources.

6. In the BNA framework, a one-year agreement runs from six to eighteen months, a two-year agreement from nineteen to thirty months, a three-year agreement from thirty-one to forty-three months. Contracts of over four years’ duration ran forty-four months or longer. One three-year utility agreement had a re-opener clause that could potentially shorten the agreement. Four nonmanufacturing contracts had wage re-openers.
three years. Multiyear agreements are generally viewed as a sign of relatively stable labor relations. Sometimes, however, long agreements are part of concession deals, guaranteeing an extended period in which the risk of work stoppage is minimized. Not surprisingly, given the multiyear duration of most agreements, over 80% of the contracts included provisions for deferred wage adjustments (wage adjustments after the first year).

Figure 5.4 shows some of the major non-compensation provisions of these contracts. Relatively few of them included contingent wage adjustments based on profits or price inflation. Only 6% contained profit sharing, which has always been rare in union agreements. It became more common during the 1980s, in the era of concession bargaining, particularly after it was adopted in agreements with the major U.S. automobile makers. Cost of living adjustment (COLA) clauses, which link wages by formula to the Consumer Price Index (CPI), have been more common. Active COLAs were included in 13% of these contracts, most of them in manufacturing. Because inflation has been mild and not highly variable for many years, the low incidence of COLAs is not surprising. Variable pay incentives (piece rates and commissions) were referenced in only 5% of the agreements.

7. The shorter contracts were concentrated in the entertainment, automobile services, health care, and local transit sectors.
8. Sometimes contracts contain clauses that may appear to be COLA clauses but provide no linkage to the CPI. Such clauses are not counted as COLAs here.
9. One contract explicitly forbade the use of such incentives. Contracts with incentives typically provide mechanisms for union involvement in implementation.
Figure 5.5. Provisions in California Contracts by Sector, 2003

Source: BNA 2003
Lump-sum bonuses—along with profit sharing—took on prominence during the concession-prone 1980s, a period in which bonuses often were substituted for basic wage increases. ¹⁰ Bonuses are also sometimes used to encourage workers to ratify newly negotiated contracts, since the bonus may be payable upon ratification. Fourteen percent of the California contracts analyzed here included these bonuses. Similarly, two-tier arrangements, in which new hires receive lower wages and/or benefits than incumbent workers do, also became common during the 1980s. Thirty-one percent of the agreements in the sample included a two-tier provision.¹¹ Such arrangements also figured prominently in the bitter southern California grocery strike (discussed below).

Despite the often-adversarial relationship between the parties engaged in collective bargaining, both sides have a joint interest in safety and health. Forty-five percent of these California agreements referenced union-management safety committees, with an even higher proportion in manufacturing. Forty-six percent of the agreements contained broader pledges of union-management cooperation on issues of mutual concern.

Because the focus of collective bargaining is the negotiated formulation of a written contract, a variety of mechanisms have evolved to reinforce the integrity of the process. Almost half of the California contracts analyzed here had “successorship” language that guaranteed that the negotiated contract would remain in force even if the company underwent a change in ownership. Over 80% of the contracts contained no-lockout language, and 85% contained no-strike language.¹² Such language is designed to prevent either side from renegotiating the contract’s provisions before

¹⁰. A three-year agreement with a 3% annual wage increase will raise the basic wage by over 9% (due to compounding) by the end of the contract’s term. Benefits that are calculated on the base wage—such as pensions—will rise accordingly. In contrast, a three-year agreement with a 3% lump-sum bonus in each year does not raise the base wage or related benefits at all, so that in the final year workers receive only 3% more pay than in the year immediately before the contract began.

¹¹. In addition, 58% of the contracts had minimum wage guarantees if workers reported for work at normal times and work was not available, and 62% had wage guarantees for workers called in to work or called back to work. Such arrangements were common in industries such as construction and health care, where being on call is often a job requirement. Over two-thirds of the agreements specified shift differentials (for example, a premium for night work). Pay for travel expenses, work clothes, and tools were found in 22%, 37%, and 15% of the contracts, respectively. Ninety-eight percent of the contracts had provisions for overtime pay. Eighty-six percent specified daily overtime pay, and 74% designated weekly overtime pay standards (both may be specified). In some cases these contract provisions may duplicate California and federal overtime requirements. Some contracts, however, included overtime requirements for weekend or sixth- or seventh-day work; these premiums are not required by federal or state law.

¹². Almost a fourth of the no-strike pledges were conditional, allowing strikes in some situations: for example, a union might have the right not to cross the picket line of another union at the same employer. Close to a fifth of the no-lockout clauses were conditional.
its term officially ends. To have an effective long-term contract, some mechanism is needed for settling disputes when strikes and lockouts are not allowed. Thus, virtually all the contracts provided for a grievance and arbitration system to settle “rights” disputes during the term of the contract.  

Although binding arbitration is almost always the last step in resolving rights disputes, many disputes are settled informally or during various steps specified in the grievance process. Most do not end in arbitration. Practices varied widely under the California contracts surveyed, but the bulk of them featured grievance processes with three or four steps before issues were sent to arbitration (Figure 5.6). In some cases when arbitration was used, the agreements specified the name of a single arbitrator, a board of arbitrators, or a rotating list of arbitrators (Figure 5.7). Nonetheless, the most common method of arbitrator selection was simply an ad hoc agreement of the parties on the choice of an individual, who was often drawn from the lists of names supplied by the Federal Mediation and Conciliation Service, the American Arbitration Association, or some other entity.

Over 80% of these California contracts contained a management rights clause, typically outlining management’s general responsibilities in regard to running the firm’s operation (see Figure 5.4). These clauses govern the flexibility arbitrators have

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13. Disputes over the negotiation or re-negotiation of a new contract are termed “interest” disputes.
14. Typically, each step in the hierarchy involves successively higher-ranking management and union officials.
15. Some of the contracts provided for more than one mechanism of arbitrator selection in a specified order.
to fashion remedies in rights disputes. Some contracts also limited the scope of management rights. Almost a third placed some limitation on subcontracting and on assigning bargaining unit work to supervisors (Figure 5.8). One-sixth imposed some restrictions on displacement of workers resulting from technological change. Another 10% placed a constraint on the ability of management to close or relocate the worksite.

The most common union security provision in the California contracts was the “union shop.” As Figure 5.9 shows, 74% of contracts contained such clauses, which typically require that new hires become union members within thirty days.16 Provisions for “agency shops,” which require dues but not formal membership, were found in 12% of these contracts.17 As a legal matter, the two arrangements are virtually the same. Court decisions have upheld the right of union-represented employees to refuse to join the union and to pay only that proportion of dues that covers the cost of bargaining and representational services. Seven percent of the sampled contracts contained “maintenance of membership” clauses requiring those who are union members to remain so during the term of the contract. Eighty-seven percent included “checkoff” arrangements, under which union dues are deducted automatically from paychecks.18 Twenty-six percent provided for union referral of new hires when job vacancies arise.19

16. About 7% of the contracts with these clauses contained modifying language, typically exempting certain employees—perhaps those with religious objections to union membership—from the requirement.
17. Agency shops tend to be more common in the public sector than in the private sector.
18. Federal law requires periodic authorization of such deductions by employees.
19. Union hiring halls, which dispatch workers to jobs, are found in industries such as construction and building services.
<table>
<thead>
<tr>
<th></th>
<th>Nonmanufacturing</th>
<th>Manufacturing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>80</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Percentage</td>
<td>100</td>
<td>90</td>
<td>50</td>
</tr>
</tbody>
</table>

**Figure 5.8.** Restrictions on Management Rights in California Contracts, by Sector, 2003

**Source:** BNA 2003.

**Note:** “All” includes contracts with a general statement of restriction.

<table>
<thead>
<tr>
<th></th>
<th>Nonmanufacturing</th>
<th>Manufacturing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Shop</td>
<td>78%</td>
<td>74%</td>
<td>72%</td>
</tr>
<tr>
<td>Agency Shop</td>
<td>18%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Membership</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Union Referral</td>
<td>40%</td>
<td>26%</td>
<td>33%</td>
</tr>
<tr>
<td>Checkoff Arrangements</td>
<td>28%</td>
<td>10%</td>
<td>14%</td>
</tr>
</tbody>
</table>

**Figure 5.9.** Security Provisions in California Contracts, by Sector, 2003

**Source:** BNA 2003.

**Note:** “Union shop” includes modified union shops.
Individual workers under union-management contracts in California have their income or jobs protected through a variety of mechanisms. Some form of income maintenance protection was found in 47% of the contracts (Figure 5.10). Fourteen percent contained a guarantee of minimum pay or work. Six percent contained “Supplemental Unemployment Benefits” (SUB) plans, which add to the income that laid-off workers receive from state unemployment insurance. Forty-one percent provided for severance pay in the event of permanent layoffs.

To protect workers from drops in labor demand, 9% of the California contracts provided for some degree of work sharing (reduced hours per employee) to avoid layoffs (Figure 5.11).20 Should layoffs occur, 42% of the agreements required some advance notice.21 Eighty-eight percent specified seniority as a criterion for being laid off (typically the most junior employees are released first).22 Workers with seniority who are targeted for layoffs may have “bumping rights” to displace more junior

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20. In some circumstances workers under such arrangements may be eligible for partial unemployment insurance benefits in California.
21. There are also legal requirements for advance notice in cases of mass layoffs or plant shutdowns.
22. Almost one-sixth of the contracts with seniority clauses provided for some exceptions to strict layoff by reverse seniority.
workers in other classifications; almost 60% of contracts in the California sample had such a provision. Seventy-five percent of the contracts specified a system for recalling laid-off workers should demand pick up. Seniority is also often an element when employees are recalled.

As previous research has shown, seniority is particularly important in unionized workplaces, where various workplace privileges and advantages often accrue to more senior workers. As Figure 5.12 shows, seniority was a criterion for promotion in over 80% of these California agreements. It was the sole factor in almost 25% of the contracts that used seniority as a criterion and a partial factor in the others.

Unionized workers are more likely to be covered by benefit plans—and to have more generous benefits—than otherwise comparable nonunion employees. The median number of specified holidays in all the California contracts was nine days, with a higher number in manufacturing (Figure 5.13). Nearly 90% of all contracts referenced a pension plan (Figure 5.14). Since pension arrangements are sometimes included in agreements that are separate from the basic contract, even this high proportion may be an understatement. Close to 70% of these agreements included life insurance, and 28% included accidental death and disability insurance. Over 60% had an optical plan. Almost 90% included dental insurance, and almost all the contracts included a basic health policy.23

23. The BNA breaks health plans into components, so it is unclear how many of the contracts had a basic health insurance program. The breakdown provided was: sickness and accident, 22%; hospitalization, 18%; surgical, 7%; major medical, 28%; doctors’ visits, 12%; miscellaneous medical expenses, 2%; comprehensive medical, 49%. Unfortunately, these categories overlap,
This survey of contracts in California provides a snapshot of collective bargaining in the state during 2003. Although comparable national data are no longer available, it is likely that the California sample broadly mirrors what would be found elsewhere in the country. Contract duration in California may be somewhat longer than the national average, but the widespread use of grievance and arbitration machinery and the limited use of COLA clauses in a period of low inflation can be found in other states as well.

**Major Contract Coverage**

Another source of information on California union contracts is the BLS, which maintains a file of “major” collective bargaining agreements (those covering 1,000 or more workers). Those data, now accessible on the Internet, include both public and private sector agreements.\(^{24}\) Unfortunately, this file does not include information on and some contracts may simply specify a general health plan rather than identify the detailed coverages.

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24. The file is maintained pursuant to the Taft-Hartley Act of 1947. It does not include contracts under the Railway Labor Act, which covers railroads and airlines, but it does include state and local agreements. Data cited in the text refer to the BLS contract files updated through December 2003. It should be noted that contracts may be missing and that the BLS may be slow in updating contracts that are renegotiated. Contracts covering fewer than 1,000 workers are not included.
Figure 5.13. Number of Holidays Specified in California Contracts, by Sector, 2003
Source: BNA 2003

Figure 5.14. Selected Benefits in California Contracts, by Sector, 2003
Source: BNA 2003
Note: Pension provisions may be contained in supplementary agreements.
the contents of these agreements; it does include basic information on the number of workers covered, contract duration, and contract sector.

Although most workers in the private sector in California are covered by agreements confined to the state, there are notable exceptions, such as those in the entertainment and longshore industries. There are also some construction contracts that cover workers in parts of California and Nevada.

The construction industry accounts for the largest share of unionized workers covered by these California-only, private sector contracts (Figure 5.15). Wholesale and retail trade (mainly supermarkets) accounts for the next largest share. The union mix in California-only contract representation (under agreements with 1,000 or more workers) reflects the sectoral mix. As Figure 5.16 shows, the United Food and Commercial Workers International Union (UFCW) represents the largest single share of workers under these contracts, mainly because of its supermarket contracts. Most of the other unions listed in Figure 5.16 are linked to the construction industry: Laborers’ International Union of North America (LIUNA), International Brotherhood of Electrical Workers (IBEW), United Association of Journeyman and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada (PPF), United Brotherhood of Carpenters and Joiners of America (UBC), International Union of Operating Engineers (IUOE), and Painters and Allied Trades (PAT). Some International Brotherhood of Teamsters (IBT) contracts also cover construction. The Service Employees International Union

![Pie chart showing the distribution of private sector workers covered by major California-only contracts by industry.](image)

**Figure 5.15.** Private Sector Workers Covered by Major California-Only Contracts, by Industry, 2003

**Source:** BLS 2004b.

**Note:** Contracts included are for 1,000 or more workers.
(SEIU) represents large numbers of private sector workers in building maintenance (mainly janitorial) and health care, and it has begun to organize security guards. The Communications Workers of America (CWA) is found in the telephone industry, and Hotel Employees and Restaurant Employees International Union (HERE) has major agreements with hotels in Los Angeles, Anaheim, and San Francisco.

Figure 5.17 provides a sectoral breakdown of state and local public employment. Although the largest segment is in general government and a variety of miscellaneous functions (denoted “other” in the figure), education accounts for much of the rest. K-12 and higher education (including community colleges) account for 40% of union-represented workers, with police and corrections accounting for 8%. SEIU has strong representation in general government and, as Figure 5.18 shows, covers the largest group among workers under major public contracts. The National Education Association (NEA) and the American Federation of Teachers (AFT) together

25. A rally organized by the union as part of this effort was held in Los Angeles in December 2003.

26. Some federal government workers, such as those in the U.S. Postal Service, are employed in California but are not reflected in the BLS contracts.

Source: BLS 2004b.

Note: Contracts included are for 1,000 or more workers.

FIGURE 5.18. State and Local Government Workers Covered by Major California Contracts, by Union, 2003

Source: BLS 2004b.

Note: Contracts included are for 1,000 or more workers.
account for 17%, or one of six workers.27 Another 3% are members of the Coalition of University Employees (CUE), which represents clerical workers in the California State University system. The influential California Correctional Peace Officers Association (CCPOA), which represents prison guards, accounts for 4% of workers in the public sector covered by these agreements.

**Pay Settlement Trends**

Union wage settlements can be expected to reflect economic conditions. Since multiyear contracts are the norm, however, the parties may look beyond the immediate period in which bargaining occurs. Although first-year median wage agreements in California in past years have run somewhat ahead of national trends, California and U.S. settlements converged in the private sector in 2003 (Table 5.1). Moreover, the gravity of the state’s recent fiscal problems seems to have affected state and local settlements, pulling them below national levels.

**NLRB Unfair Labor Practice Filings**

The National Labor Relations Board (NLRB) has jurisdiction over private sector labor relations excluding agriculture, industries covered by the Railway Labor Act (railroads and airlines), and employers too small to be considered in interstate commerce. Public sector employers are not covered by the NLRB, with the important exception of the U.S. Postal Service. Unions, individuals, and employers can file unfair labor practice complaints with the NLRB. Section 8(a) charges are filed against employers; Section 8(b) charges are filed against unions. Such charges often arise in the context of union organizing campaigns or difficult negotiations. Thus, tabulations of unfair labor practice charges in California can indicate points of friction in labor relations within the state.

Tables 5.2–5.5 provide data on NLRB unfair labor practice charges in California during federal fiscal year 2003. In general, the industries and unions that were prominent in the previous fiscal year, 2002 (see Mitchell 2003), were again among the top ten filers of charges or recipients of charges in 2003. Many of the cases in the administrative and support services industry classification involve building services such as cleaning and security; these cases appear to reflect the activities of the Service Employees International Union (SEIU) in its Justice for Janitors campaign and its more recent organizing efforts among guards. Cases in the wholesale trade, nondurable goods classification are often related to the grocery business. Transportation equipment cases include employment in aerospace, shipbuilding, and motor vehicles.

27. The NEA is much larger than AFT, but because both are combined as a single entity in Los Angeles, separating them in the figure was not possible.
TABLE 5.1. First-Year Median Union Wage Settlements in California and United States, 1999–2003

<table>
<thead>
<tr>
<th>Year</th>
<th>Private Sector</th>
<th>State and Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>California</td>
<td>U.S.</td>
</tr>
<tr>
<td>1999</td>
<td>3.6%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2000</td>
<td>4.0</td>
<td>3.4</td>
</tr>
<tr>
<td>2001</td>
<td>4.1</td>
<td>3.5</td>
</tr>
<tr>
<td>2002</td>
<td>4.2</td>
<td>3.5</td>
</tr>
<tr>
<td>2003</td>
<td>3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Note: California contracts without sufficient information are omitted. The business sector includes fee-charging public enterprises.

TABLE 5.2. Top Ten Industries Charged with Unfair Labor Practices under NLRB Section 8(a), California, Fiscal Year 2003

<table>
<thead>
<tr>
<th>Industry</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and support services</td>
<td>228</td>
</tr>
<tr>
<td>Hospitals</td>
<td>189</td>
</tr>
<tr>
<td>Special trade contractors</td>
<td>147</td>
</tr>
<tr>
<td>U.S. Postal Service</td>
<td>146</td>
</tr>
<tr>
<td>Broadcasting and telecommunications services</td>
<td>143</td>
</tr>
<tr>
<td>Waste management and remediation services</td>
<td>111</td>
</tr>
<tr>
<td>Accommodation</td>
<td>86</td>
</tr>
<tr>
<td>Food manufacturing</td>
<td>83</td>
</tr>
<tr>
<td>Transit and ground passenger transportation</td>
<td>70</td>
</tr>
<tr>
<td>Wholesale trade, nondurable goods</td>
<td>68</td>
</tr>
<tr>
<td>All California 8(a) cases</td>
<td>2,468</td>
</tr>
</tbody>
</table>


TABLE 5.3. Top Ten Parties Filing Unfair Labor Practice Charges under NLRB Section 8(a), California, Fiscal Year 2003

<table>
<thead>
<tr>
<th>Party</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>An individual</td>
<td>540</td>
</tr>
<tr>
<td>International Brotherhood of Teamsters</td>
<td>384</td>
</tr>
<tr>
<td>Service Employees International Union</td>
<td>340</td>
</tr>
<tr>
<td>International Union of Operating Engineers</td>
<td>215</td>
</tr>
<tr>
<td>Communications Workers of America</td>
<td>129</td>
</tr>
<tr>
<td>International Association of Machinists and Aerospace Workers</td>
<td>91</td>
</tr>
<tr>
<td>American Postal Workers Union</td>
<td>78</td>
</tr>
<tr>
<td>Laborers’ International Union of North America</td>
<td>75</td>
</tr>
<tr>
<td>Hotel Employees and Restaurant Employees Union</td>
<td>73</td>
</tr>
<tr>
<td>United Brotherhood of Carpenters and Joiners of America</td>
<td>72</td>
</tr>
<tr>
<td>All California 8(a) cases</td>
<td>2,468</td>
</tr>
</tbody>
</table>


TABLE 5.4. Top Ten Industries Filing Unfair Labor Practice Charges under NLRB Section 8(b), California, Fiscal Year 2003

<table>
<thead>
<tr>
<th>Industry</th>
<th>Count</th>
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</thead>
<tbody>
<tr>
<td>Administrative and support services</td>
<td>115</td>
</tr>
<tr>
<td>Special trade contractors</td>
<td>82</td>
</tr>
<tr>
<td>U.S. Postal Service</td>
<td>77</td>
</tr>
<tr>
<td>Hospitals</td>
<td>49</td>
</tr>
<tr>
<td>Accommodation</td>
<td>37</td>
</tr>
<tr>
<td>Building, developing, and general contracting</td>
<td>36</td>
</tr>
<tr>
<td>Support activities for transportation</td>
<td>36</td>
</tr>
<tr>
<td>Food and beverage stores</td>
<td>34</td>
</tr>
<tr>
<td>Transportation equipment manufacturing</td>
<td>31</td>
</tr>
<tr>
<td>Broadcasting and telecommunications services</td>
<td>30</td>
</tr>
<tr>
<td>All California 8(b) cases</td>
<td>956</td>
</tr>
</tbody>
</table>

Cases involving the U.S. Postal Service remained prominent among unfair labor practice charges. The continuing presence of this employer reflects in part the large number of workers it employs in California and a difficult labor relations climate. There is relatively little new organizing in the Postal Service since most workers are already under union contracts. Thus, such charges generally arise from ongoing friction between union and management. Individuals who file charges (see Table 5.3) commonly allege illegal discharge or discipline for union activities such as organizing (the specific union involved is not listed in NLRB data files). Industries that became hot spots in California labor relations in the period covered by this chapter—retail groceries, hospitals, telecommunications, and hotels—are prominent among those involved in unfair labor practice filings.

**RECENT POLITICAL, ECONOMIC, AND REGULATORY DEVELOPMENTS AFFECTING LABOR RELATIONS**

Labor unions in California generally opposed the October 2003 recall of Governor Gray Davis. The recall produced a 55% “yes” vote from all voters, but according to a *Los Angeles Times* poll, union households, which constitute 30% of all voters in California, voted narrowly against the recall (52% against the recall versus 48% in favor). The concurrent election of Arnold Schwarzenegger created a new dynamic in Sacramento, particularly in regard to the state’s budget and to workers’ compensation insurance.

The Davis budget of August 2003 included provision for a $10.7 billion bond issue to refinance past deficits and an additional “pension bond.” Legal challenges made it unlikely that these bond issues could be floated, and Governor Schwarzenegger proposed an alternative $15 billion bond with a related limited “cap” on future deficits. Propositions 57 and 58, which appeared on the March 2004 ballot and were approved by voters, incorporated these related issues. Unions generally supported the two propositions. Unions also supported Proposition 56, which would have cut the legislative votes needed to pass budgets from two-thirds to 55%, but this proposal was soundly defeated.29

In the background of labor relations in California in 2003–04 was the ongoing state budget crisis, which was of special concern to state and local government employees. Although passage of the “Economic Recovery Bond” seemed to take pressure off the budget issue, the state’s legislative analyst continued to report that California faced a structural deficit—the yearly differential between income and outgo—that would not be resolved by economic recovery. Nonetheless, the limited state hiring “freeze” in effect since October 2001 was lifted at the end of June 2004.

Despite much rhetoric to the effect that California’s regulatory climate is unfavorable to business, job losses in California were no greater than in the United States as a whole, as Figure 5.19 shows, except in the early 1990s, when the state’s defense sector collapsed after the end of the Cold War. Once this defense-related job erosion bottomed out, industries in California either added jobs faster than the rest of the country or, at least, held their own. Similar cycles occurred at the end of World War II and, to a lesser extent, the Vietnam War.

29. A 55% hurdle would have been sufficiently low to allow legislative Democrats to pass a budget without Republican support, albeit subject to a gubernatorial veto.
As Figure 5.20 indicates, net hiring strength in California peaked in 2000.\textsuperscript{30} Since that time the outlook for job creation as projected by employers has fluctuated, but has generally been uncertain or pessimistic. The first sign of a trend toward improvement appeared in the first quarter of 2004, when employers projected a net expansion for the following quarter (2004-II). Hiring strength also advanced in the second quarter, when employers expressed optimism about the third quarter (2004-III). Contract settlements in the future—at least in private employment, where the state budget crisis has no direct impact—may reflect this improved job outlook.

California’s aerospace industry has downsized substantially in the past ten years, but it remains a significant employer. For this reason, international developments such as the Iraq War may have an impact on state employment trends. Boeing is the largest private employer in Southern California, with about 35,000 employees. Much of the recent softness in the California labor market has been concentrated in the Bay Area, where the bursting of the dot-com bubble had particularly severe repercussions (see Pastor and Zabin 2002). Future trends in the high-tech sector are unclear, although the outsourcing of certain high-tech jobs to India and elsewhere has become controversial in this period.

**Workers’ Compensation and Unemployment Compensation**

The issue of workers’ compensation has festered for some time in California, especially during periods of economic downturn. Generally, the complaints have been that workers’ comp in California is more expensive than the national average, but that benefits are lower. Employers are mandated to provide workers’ comp insurance. They may purchase it from private carriers or, if they have difficulty obtaining private coverage, they may tap into the state’s back-up fund. That fund is itself facing financial difficulties, and some legislators have proposed that certain reserve obligations be relaxed to allow lower premiums.\textsuperscript{31} Insurance Commissioner John Garimendi has opposed steps that would reduce reserve requirements for the state fund and enable rate cuts to employers, however, and the state auditor has criticized as ineffective official efforts to reduce fraud in the system.

The governor, gubernatorial staff, key legislators, union representatives, and

\textsuperscript{30} Data are from Manpower, Inc., which surveys employer hiring intentions four times a year, asking employers to project increases or decreases for the following quarter. The difference between the percentage of employers expecting an increase and the percentage expecting a decrease provides an index of employer expectations about the short-term outlook for the labor market and thus a useful forecasting tool. Figure 5.20 presents data on such expectations in California through the second quarter of 2004. Because net hiring is highly seasonal, the figure breaks the index down by quarter.

\textsuperscript{31} The State Compensation Insurance Fund fired its auditor in October 2003, apparently because of the auditor’s insistence on building up sufficient fund reserves.
**Figure 5.20.** Employers’ Projections of Net Employment Growth in California, 1999–2004


*Note:* Each quarter represents a projection in the prior quarter by surveyed employers as to whether they expected to increase or decrease employment.
employers engaged in on-again, off-again negotiations over workers’ comp reform during the spring of 2004. The governor threatened a ballot initiative if an agreement with the legislature could not be reached. Although enough signatures for a ballot proposition were collected, a last-minute compromise permitted a legislative solution in mid-April 2004. The compromise featured elements of “managed care” and other cost-saving measures. Some employee benefits will be increased under the plan, but others will be decreased. Democrats pushed for the regulation of rates offered by workers’ comp carriers to ensure that the cost reductions would result in lower premiums. In the end, the compromise avoided actual regulation; it did provide for a review to see if savings are being passed on through lower insurance premiums. Various insurance carriers announced that premiums would be lowered after the reform bill was enacted, but the cuts were generally smaller than the supporters of the bill had predicted.

Although it has not received as much attention, California’s unemployment insurance program also faces fiscal pressures that will need official action.32 At the end of March 2004, almost half of the Californians receiving these benefits had exhausted their allowable twenty-six weeks of payments without finding a job (U.S. Department of Labor 2004).

Health Insurance and Health Care

Immediately before the recall election, the legislature passed—and Governor Davis signed—Senate Bill 2, which effectively mandates employer-provided health insurance beginning in 2006 through a “pay-or-play” system. The employer groups that opposed the bill sponsored a repeal initiative that will appear before voters in November 2004 as Proposition 72.33 SB 2 also faces likely legal challenges on the grounds that the federal Employee Retirement Income Security Act (ERISA) precludes state action.34

32. Unemployment insurance is a joint federal and state program in which benefits are paid through a federally operated fund but the details of taxation and administration are left to the states. Some states such as New York had to borrow from the federal government to meet their obligations during the economic slump of the early 2000s. Various budgetary ratios commonly used to gauge the fiscal health of state unemployment insurance funds have shown California to be below the national average in funding soundness in recent years.

33. A fine of $25,000 was levied by the Fair Political Practices Commission against “Californians Against Government Run Healthcare,” the group that put the initiative on the ballot, for nondisclosure of contributors on a timely basis. The initiative might have appeared on the March 2004 ballot, but a suit challenging the wording of the petition delayed the certification of signatures.

34. Attempts to pass either an employer mandate or a single-payer health insurance program by ballot initiative failed in the 1990s. Indeed, the earliest attempt to create a California health plan through the ballot goes back to the World War I era. Hawaii has a state mandate plan, but it has a congressional exemption from ERISA. SB 2 attempts to avoid the ERISA problem by imposing a tax that goes into a new state insurance fund. Employers that purchase health insurance are exempted from the tax, and those that pay the tax are covered by the state fund.
If SB 2 survives, employers with 200 or more employees will be required to provide family health insurance as of January 2006, with employers paying 80% of the premiums. Employers with 50 to 199 employees will then be required to provide worker-only insurance by January 2007. At the same time, but only if a state subsidy is available, employers of between 20 and 49 employees would also be required to offer worker-only insurance. About a million new workers and dependents would receive coverage if SB 2 is fully implemented (UCLA Center for Health Policy Research 2003). The bill would not provide universal coverage, since about 4.5 million Californians are estimated currently to be without coverage. It would, however, address some of the concerns related to Wal-Mart and other large employers that at this juncture provide limited or no health insurance to their workers.

Many employers do provide health insurance to their workers, but rising costs have been an aggravating factor in labor relations as firms seek to shift more of the costs to employees. For many years, in part because of the prominence of HMOs in California, employer health premiums were lower than the national average. That gap has been closing in recent years, however, as California premiums have risen somewhat faster than the national average has. Employers large enough to have negotiating leverage may be able to obtain cost savings by bargaining with health service providers. CalPERS, the large state retirement fund that also provides health insurance to many state and local employees, has enough bargaining clout to obtain such concessions. For example, it was able to win a price cap from the Sutter hospital chain in April 2004 after it threatened to drop Sutter hospitals from coverage. Although some hospitals were eventually dropped from coverage despite protests from employee unions, CalPERS nonetheless continued to anticipate a substantial rise in health insurance costs.

Meanwhile, on January 1, 2004, a state law establishing minimum nurse-to-patient ratios came into effect at California hospitals. Nursing unions, which had strongly backed the law when it was passed in 1999, complained that the new ratios were often not being met. In May 2004 a legal challenge to the ratios filed by a hospital trade group was rejected by a California court.

**State Overtime and Labor Standards Laws**

In recent years claims for unpaid overtime wages have been filed under state law on behalf of a variety of workers. Usually these claims have been based on allegations that employees were told to work off the clock or were misclassified in ways that removed them from state overtime requirements. In February 2004 a California

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A somewhat similar plan was passed in Massachusetts in the late 1980s, but it was repealed before it could go into effect.

35. The uninsured rate would fall from about 13% to 10%–11% under SB 2, depending on the degree of implementation.
Court of Appeals upheld most of a $90 million claim against Farmers Insurance Exchange brought on behalf of claims representatives.36 Retailer Wet Seal settled an overtime suit filed by store managers in January 2004 for $1.3 million. A settlement with managers at Borders bookstores was also reached in January, and another was reached with closeout retailer Big Lots in February. Complaints that day workers hired through Labor Ready, a temporary staffing agency, should be compensated for waiting and travel time are currently pending, as are claims by bank tellers at Wells Fargo.37 In June major grocery chains resolved a lawsuit involving allegations that they knowingly allowed a cleaning contractor to shortchange supermarket janitors of overtime pay. Details of that settlement were not available at this writing. Although the Bush administration’s plans for the implementation of administrative changes in federal overtime requirements were scheduled for August 2004, these changes will not apply to California employees since the state’s standards are more stringent than the federal ones.

Senate Bill 796, which was enacted in 2003 and went into effect in January 2004, allows employees to sue employers for labor code violations when the relevant state agency fails to do so. It also allows 25% of the fines and other penalties that may be recouped under such suits to be retained by plaintiffs. California employers have voiced concerns about the new law and hope to have it repealed. The Schwarzenegger administration expressed support for such a repeal.38

Assembly Bill 17, which was signed into law by outgoing Governor Davis in October 2003, will require private contractors with the state government to offer benefits to domestic partners starting in 2007. AB 17 was modeled after a similar statute enacted in San Francisco in 1997. Meanwhile, San Francisco voters in November 2003 voted to raise the minimum wage to $8.50 an hour, well above the $6.75 statewide minimum (which exceeds the $5.15 offered by the federal government). And Berkeley’s “living wage” law—which includes a minimum wage for certain businesses in the Marina area of the city—survived a legal challenge in federal court in June 2004.

37. Not all such claims succeed. For example, an attempt to use the federal RICO statute in an overtime case was rejected by the Ninth Circuit (*Miller v. Yokohama Tire Corp.*, No. 02-56722, 1/12/04). In another case instructors at a cooking school were found to be exempt from overtime requirements when the school was found to be a “college” under state law (*California School of Culinary Arts v. Lujan*, Cal. Ct. App., No. B160288, 9/18/03).
38. Workers who claim employer retaliation for filing a complaint with CalOSHA concerning safety violations also retain the right to sue, even in the presence of a union contract with a grievance-arbitration clause, unless that clause specifically covers the statute (*Taylor v. Lockheed Martin Corp.*, Cal. Ct. App., No. B162846, 11/17/03). In a related matter, the U.S. Supreme Court let stand a California Supreme Court decision that employers that require arbitration of employment disputes must pay all costs for claims that allege violations of public policy (*Auto Stiegler v. Little*, U.S. No. 02-1720, cert. Denied 10/6/03). The Ninth Circuit ruled in September 2003 that employers can require employees to sign arbitration agreements covering race and sex discrimination.
California’s new paid family leave law goes into effect in July 2004. Employees already had certain rights to unpaid family leave under state and federal law, but the new program, which is employee funded, will provide eligible workers 55% of pay up to $728 a week (see Milkman and Appelbaum, this volume).

MAJOR DEVELOPMENTS IN THE PUBLIC SECTOR

The BLS major contract file reports that fifty-one major public sector agreements covering about 173,000 employees are slated to expire in 2004 (Appendix C). Almost 35,000 workers in the K-12 sector are under contracts that expire in June, and large numbers of workers in higher education are similarly covered by contracts expiring in June and other months. Because public sector agreements often involve prolonged negotiations, particularly when budgets are tight, there will also be bargaining in 2004 for expired agreements that were not successfully negotiated in 2003.39

**Budget-Related Issues**

In the context of California’s budget crisis, newly elected Governor Schwarzenegger proposed modifying public pension plans to create a two-tier structure that would give new hires pensions that are less generous than those available to current employees. Although the proposal was substantially watered down after budget negotiations involving union representatives and Democratic legislators, elements of it will be put into effect in fiscal year 2004–05. Underfunded state and local pension programs will likely be a continuing issue in future public sector bargaining.

The governor also wanted to renegotiate state labor contracts. Some bipartisan support for renegotiation with the prison guards’ union, the CCPOA, led to some concessions by the union. Other state employees, however, received a scheduled 5% pay increase despite efforts to block it. The governor did cut a deal with the trial courts that will allow the state to participate in collective bargaining with unions representing judicial employees (the state is involved in trial court funding).

The Schwarzenegger administration declined to defend a contract provision negotiated between state highway engineers and the previous administration that limited outsourcing. Generally, the new administration is likely to be more receptive to privatization proposals than was Governor Davis. Creation of a gubernatorial...

39. The BNA reports additional contract expirations, some smaller than “major” by BLS standards (i.e., less than 1,000 workers). These are listed by month of expiration. January: Riverside County and SEIU (750 employees). April: San Jose and Operating Engineers (850 employees). June: Santa Clara County and SEIU (8,000 employees); University of California and AFSCME (6,750 employees). July: Ventura County Community College and SEIU (350 employees). December: Riverside County Sheriff’s Assn. (850 employees). See BNA 2004, 1–37.
commission to evaluate plans for restructuring state government and operations was announced in June 2004. Other proposals—such as reducing the number of state holidays—that were also circulating during the spring of 2004 were dropped.40

State budget pressures have cascaded down to the local level. For example, teachers in Inglewood filed an unfair labor practice complaint, citing the local school board (which pleaded budgetary pressures) for not providing previously negotiated raises. In Richmond city officials appealed to employee unions to come up with cost-saving suggestions. Some unions have negotiated “back-loaded” contracts, which schedule pay increases in the later years of the contract when (it is hoped) budget pressures will be reduced.41 In June 2004 SEIU officials conducted a “sleep-in” outside the offices of the chief negotiator for the city of Los Angeles to press for a new contract for blue-collar municipal workers. (Pay increases for white-collar workers had already been negotiated.)

**Nonbinding Arbitration and the Los Angeles Transit Strike**

With certain exceptions for protective service personnel, state and local government workers in California have the right to strike. Various state laws cover these employees and provide for mediation and fact-finding to resolve disputes, but no form of third party intervention that can produce a binding settlement is specified. The Los Angeles Metropolitan Transportation Authority (MTA) has approximately 9,200 employees. Its largest unions are the Amalgamated Transit Union (ATU), which covers about 2,000 mechanics, and the United Transportation Union, which covers bus and train drivers. The unions and the MTA (and its various predecessor agencies) have a history of difficult labor relations: transit workers went on strike nine times between 1960 and the expiration of the ATU contract in 2003.

Bargaining at the MTA falls under the state’s Public Transportation Labor Disputes Act, which provides for fact-finding if the governor believes a work stoppage will be disruptive.42 Governor Davis invoked fact-finding in August 2003, delaying a strike until mid-October. The eventual strike was marked by acrimonious comments from union and public officials. A major issue was the health plan, which was largely union-operated and was viewed by the MTA as overly expensive. Management insisted that its “final” offer be put to a vote of the workers, and the offer was soundly rejected. Both sides then agreed voluntarily to a plan for nonbinding

40. A bill to cut the number of state paid holidays from fourteen to twelve died in the Assembly in April 2004.
41. Firefighters in Ventura County, for example, agreed to a three-year deal in December 2003 that provides only 1% during 2004 and 6% during 2005.
42. Supervisors at the MTA came under the jurisdiction of the California Public Employment Relations Board (PERB) when the new Los Angeles County Metropolitan Transportation Authority Employer-Employee Relations Act took effect in 2004.
arbitration, under which an arbitrator would hear the health plan dispute and make a recommendation if a private settlement could not be reached; a two-thirds vote of either the union board or the MTA board would be required to reject the recommendation. This mechanism ended the strike after thirty-five days. MTA board members and union officials accepted the recommendation.

Conceivably, the nonbinding arbitration approach could be used in future disputes at the MTA or other transit agencies. Indeed, it could be used anywhere in the public sector if the parties agreed. A version of nonbinding arbitration is required under a 2003 law applicable to protective service employees.43

**PERB Activity**

The California Public Employment Relations Board (PERB) is the main agency charged with administering the state’s public sector labor relations statutes. During fiscal year 2002–03 PERB received 802 unfair labor practice charges. Charges had jumped the previous year, as Table 5.6 indicates. The increased activity reflected a change in PERB’s statutory responsibility to cover local governments under the Meyers-Milias-Brown Act of 1968. About 1.5 million workers are now covered by PERB. The agency conducted nineteen elections related to representation issues in 2002–03, a drop from previous years.

43. SB 440 invokes an arbitration process for disputes involving police and fire employees’ unions. The arbitration recommendation can be rejected by the local authority, but only by a unanimous decision. An earlier version of this process that was strictly binding was voided by the California Supreme Court because of the delegation of government power to an arbitrator.

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**Table 5.6.** Public Employee Relations Board Unfair Labor Practice (ULP) Data, California, 1994–2003

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*Note:* Data for 2001–02 include two mass filings of the same charges by 195 individuals.
Other Public Sector Developments

Substitute teachers in San Bernardino were able to win a first contract in December 2003 that provides pay increases and some degree of job security. Union-represented police at the University of California received pay and other adjustments under terms of a contract renegotiation effective in January 2004. University and student teaching assistants represented by the UAW agreed to consolidate the various campus units into a single bargaining unit following a one-day strike; the agreement, which went into effect in December 2003, also provided pay increases. University of California “administrative professionals” turned down representation by the University Professional and Technical Employees (UPTE) in March 2004.

After gathering enough signatures to put an initiative on the November 2004 ballot that would raise funding for public education by increasing the property taxes of businesses, the California Teachers Association (CTA) decided not to submit the petition. The initiative would have increased the commercial property tax from 1% to 1.55%. Likely taxpayer resistance and a potentially crowded ballot appeared to be the reasons. Orange County firefighters threatened to put an initiative on the ballot for added funding after county supervisors rejected an alternate plan for an increased fire service budget.

An attempt by the Sacramento City Unified School District to create a parallel pension plan that allowed selected employees to opt out of CalPERS and Social Security ended in April, when the school board voted to terminate its relationship with the plan, which is known as the California Administrative Services Authority, or CASA. CalPERS ruled that CASA may be illegal, and the district might be forced to provide back payments to CalPERS and Social Security. Similarly, a court ruled in February 2004 that temps hired by the Southern California Metropolitan Water District should not have been excluded from CalPERS merely because they were ostensibly employed through outside agencies.44

An alleged sick-out by sheriff’s deputies in Los Angeles County that interfered with court proceedings was settled with a $100,000 contempt of court fine and other strictures in December 2003. In March 2004 bus drivers in Sacramento staged a sick-out that curtailed service for one day. The action occurred during negotiations for a new contract to replace the agreement that had expired in February.

Although most public workers in California are employed by state and local governments, there are about 250,000 federal employees in the state, most of whom are union represented. This figure includes about 80,000 quasi-public employees of the U. S. Postal Service. Most of the remaining federal employees are under the general federal pay scale, which is adjusted for comparability to private workers. A 4.1% wage increase for those workers went into effect in January 2004. Because of wage

trends in California, higher pay raises were approved for the state’s major urban areas; these ranged from 4.41% in Sacramento to 5.35% in San Francisco.45

Also in the federal sector, a court decision in February 2004 appeared to give a go-ahead for a one-day Amtrak strike to protest inadequate congressional funding of the government-run passenger railroad. The court found that the strike was politically motivated and thus outside the normal strictures of the Railway Labor Act. Amtrak provides passenger service to several major California cities.46 To date, however, no such strike has occurred.

MAJOR DEVELOPMENTS IN THE PRIVATE SECTOR

The bargaining schedule for major contracts in the private sector for 2004 is summarized in Appendix D. Among the major contracts up for negotiation are those in telecommunications (expiring in April), entertainment (expiring in May and June), and various agreements in the construction industry (expiring during the spring and summer). A strike “notice” was sent to SBC in early April 2004 by the CWA as negotiations proceeded on a new contract. The union then announced a strike with a predetermined duration of four days—an unusual tactic. The union had supported the company in another context, however—namely, the possible buyout of AT&T Wireless by cellular provider Cingular (which is owned by SBC and Bell-South). SBC promised to continue health benefits in the event of a strike. In that relatively friendly context, a five-year settlement was reached in late May that provides a combination of pay increases, lump-sum bonuses, and a COLA in the final two years.

A Boeing contract covering over 2,800 workers in Long Beach expired in April 2004 amid uncertainty concerning the plant’s future. Labor relations at the plant, which were difficult when it was owned by McDonnell-Douglas, have benefited in recent years from a union-management employee involvement program. In spite of recommendations by the union to reject the offer, workers voted to accept a three-year deal in early May that provides pay increases but also requires employees to contribute to some health care options.

SEIU represents 74,000 home care aides in Los Angeles County whose contract expired in June. Formerly, these aides were essentially the private employees of the individual disabled persons for whom they cared, although their pay came from the government (see Howes, this volume). SEIU pioneered a mechanism for organizing such workers in Los Angeles through the formation of an umbrella organization that functions as their employer of record. Thus, these workers fall into a category that

45. President Bush initially approved a 2% federal pay raise, but this figure was overridden by Congress, which approved a 2.7% general increase plus an additional amount of 1.4% for local trends. Los Angeles area workers received 4.74%, and San Diego workers received 4.58%.

46. Settlements with some Amtrak unions, including the Transportation Communications Union (TCU), were reached in March 2004. Other contracts remain to be re-negotiated.
spans both public and private sectors. (Similar arrangements were subsequently developed in other localities.) Since public funding is involved, the state’s budget crisis will inevitably complicate negotiations for a new contract.

California judges hear cases regarding labor practices of American firms operating abroad. Unocal faced litigation in state and federal courts over various human rights abuses in Myanmar (Burma), where a subsidiary is constructing a pipeline. Plaintiffs in state court received a setback when the judge ruled that the Unocal subsidiary, not the parent firm, should have been sued; in June the U.S. Supreme Court allowed a parallel suit in federal court to proceed. California State Treasurer Phil Angelides urged Unocal to sever its Myanmar connection, but the firm made no such commitment. DaimlerChrysler Corp. was sued in January 2004 on behalf of workers who disappeared in Argentina in the 1970s when the country was under military rule. Nike settled a state court suit that alleged that its advertising had mischaracterized its labor practices abroad; the company agreed to pay $1.5 million to support the programs of the Fair Labor Association, a group that monitors adherence to labor standards on behalf of various academic and other institutions.

Following is a selection of other recent developments that affect labor relations in the private sector.47

Agriculture

Because labor relations in the agricultural industry are not subject to federal law, states are free to establish their own regulatory systems for this sector. In California that system is administered by the Agricultural Labor Relations Board (ALRB). The ALRB handles relatively few cases per year (Table 5.7). Nevertheless, these cases often receive media attention that is disproportionate to the number of workers involved because of the history of the United Farm Workers (UFW)—the main union in California farming—and its legendary former leader, Cesar Chavez. In 2002 a complicated mediation and arbitration statute was passed governing agricul-

47. As in the case of public sector contracts, the BNA reports some contract expirations not listed in the BLS files. These are listed by month of expiration. January: Walt Disney and HERE (Anaheim, 1,200 workers). March: Coastal Berry and UFW (Oxnard, 750 workers); Food 4 Less and UFCW (Southern California, 3,000 workers); Lucile Packard Children’s Hospital (700 workers) and Stanford Hospital (1,050 workers) and an independent local nurses’ union. April: Cedar-Sinai Medical Center and SEIU (Los Angeles, 1,500 workers); Holiday Inn Convention Center and HERE (Los Angeles, 1,800 workers). June: Associated General Contractors and Operating Engineers (San Diego, 1,700 workers); Personal Assistance Services and SEIU (L.A. County, 74,000 workers). July: Safeway and UFCW (Sacramento, 6,000 workers). August: San Francisco Building Owners and Managers-Operating Engineers (San Francisco, 4,000 workers). October: TV and Radio Commercial Announcements Agreement-Musicians (100,000 workers). December: U.S. Borax and ILWU (Boron, 600 workers); Henry Mayo Newhall Memorial Hospital and United Electrical Workers (Valencia, 500 workers). See BNA 2004.
tural disputes over “first contracts” (the initial contract negotiated after a union wins a representation election). The statute addressed the union’s concern that even after winning an election the union was often unable to reach a first contract agreement with the employer. Under the new statute an arbitrator can impose a contract if negotiations between growers and workers fail.

In February 2004 a contract with the UFW was imposed on the PictSweet Mushroom Farm. The contract provides yearly salary increases and medical coverage for workers and their families. The National Right to Work Foundation filed a complaint with the ALRB alleging that the UFW was overcharging nonmembers at PictSweet for representation services. The ALRB also imposed a contract on Hess Collection Winery that is being challenged in court.

The UFW is in conflict with D’Arrigo Brothers Co., a firm that produces a variety of crops in the Salinas Valley. In March 2004, a federal judge ruled that the company owes its workers as much as $13 million in back pay for travel time. The UFW is still seeking a first contract at D’Arrigo, and a representation dispute continues between Gallo of Sonoma and the UFW. Meanwhile, a Florida labor dispute involving suppliers of Taco Bell, a fast-food chain based in Irvine, spilled over into California. Demonstrations took place at Taco Bell headquarters as part of an effort to pressure the firm through a consumer boycott and adverse publicity.

**Construction**

Because of government involvement in various aspects of the construction industry, public policy and litigation can be important to unions in this sector. In January building trades unions successfully defended California regulations that set minimum wages for apprentices in a lawsuit decided by the U.S. Court of Appeals for the Ninth Circuit. Employers had argued that federal law preempted the state regulations.48

In 2002 legislation backed by environmentalists and construction unions and supported by former Governor Davis limited the use of polyethylene plastic piping in new homes and other buildings. Governor Schwarzenegger indicated support for reversing the law, signaling a possible future battle. Although prevailing wage regulations in California put a floor under construction pay, their application is sometimes ambiguous when nonprofit groups do volunteer work. A recent complaint issued by LIUNA over such a project led the state’s Department of Industrial Relations to rule that fines and back pay were owed

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for volunteer work. Other building trades unions have not supported that interpretation, however.

**Education**

Stanford University froze the pay of its nonunion employees in 2003, but an SEIU affiliate that represents janitorial, dining room, and other support workers at the university was able to negotiate a three-year agreement providing pay raises in the second and third years of the contract. Because of concerns about job security, the union negotiated certain restrictions on the university’s use of temporary workers.

The Los Angeles Unified School District adopted an “anti-sweatshop” code for goods supplied to its schools by outside vendors. Vendors must pledge to comply with relevant labor laws and pay a “non-poverty” wage to employees.

**Energy**

British Petroleum and the Paper, Allied Industrial, Chemical, and Energy Workers (PACE) were negotiating over a company proposal to reduce the employer’s share of health care premiums for retirees. Retirees from British Petroleum’s Carson refinery would be affected.

**Entertainment**

Contracts between the major film studios and the Writers Guild of America (WGA) expired in early May 2004. Internal political problems had plagued the union beginning in January, when WGA president Victoria Riskin had to step down after her membership credentials were challenged. She was replaced by Charles Holland, who resigned in March after inaccuracies in his résumé were revealed. The interim president, Daniel Petrie, took office shortly before formal contract negotiations began. The main issues in the current bargaining round involve video-related revenues, health plan contributions, and questions related to reality TV shows. Both sides were reported to be seeking to avert a strike and a repeat of the production disruption that occurred in 2001 when writers and actors threatened to strike, but talks broke off in June after the management side made what it termed its “final offer.”

The Screen Actors Guild (SAG) and the American Federation of Television and Radio Artists (AFTRA) have been exploring a possible merger. The two organizations have considerable overlapping membership; moreover, technological advances are eroding the differences between film and video. So far, however, the proposal has failed when put to membership vote. In February the two unions agreed with pro-

49. Both unions required a 60% electoral margin for merger in a June 2003 poll. Although AFTRA members voted for merger, the SAG tally fell below the 60% level.
ducers to extend the existing agreement for one year. The extension includes various pay, benefit, and jurisdictional enhancements. The parties also agreed to begin bargaining early on a successor contract to avoid the production disruption that occurred in 2001. A proposal for a dues increase and continued tensions over the merger issue have dominated internal SAG politics, however; if continued, such frictions could complicate negotiations in 2005.

Local Los Angeles officials, who are anxious to maintain production in the area, appointed a new president of the Entertainment Industry Development Corporation (EIDC). The EIDC is an autonomous entity created to streamline the permitting process, promote local filmmaking, and avert “runaway” production. Allegations of mismanagement by the previous president had hindered the agency’s operations.50

Drug testing became a contentious labor-management issue in Major League Baseball in 2003–04. The players’ 2002 contract stipulated that if 5% of samples taken during the anonymous testing of all players revealed positive indications for illegal drug use, a more far-reaching program would be established in 2004. The contractual threshold was exceeded and, as a result, a new schedule of suspensions for steroid use has been established pursuant to the labor agreement. In addition, federal prosecutors began investigating allegations that the Bay Area Laboratory Cooperative, or BALCO, provided steroids to players. Six of the thirty major league teams are in California.

**Health Care**

Tenet Healthcare, which owns nineteen hospitals in California, has been a major union organizing target, especially for nurses’ unions. Two rival unions, SEIU and the independent California Nurses Association (CNA), agreed in December 2003 to cooperate in future efforts at Tenet. Under pressure created by various internal corporate scandals, Tenet entered into a neutrality agreement vis-à-vis the unions’ organizing efforts. Organizing has also apparently been facilitated by Tenet’s plan to sell all or some of its California hospitals, which has raised job security concerns among employees. Various negotiated settlements with Tenet were reached, including a contract ending a thirteen-month nursing strike in San Pablo.

Separately, CNA and the Steelworkers formed an organizing alliance in the health care sector whereby nurses are to be represented by CNA and other employees are to be covered by the Steelworkers. The alliance achieved its first contract at Long Beach

50 The former EIDC chief pleaded “no contest” in late May 2004 to a charge of embezzling public funds. Not often mentioned in the context of the film industry is the significant porn production sector in the San Fernando Valley. Actors in the adult film business began to discuss unionization in April 2004 after it was discovered that some performers had contracted HIV despite industry health screening procedures.
Memorial Medical Center in October 2003. An agreement on organizing involving SEIU and St. Vincent Medical Center in Los Angeles led to litigation, a Ninth Circuit decision in September 2003, and an unsuccessful appeal by the employer to the U.S. Supreme Court. St. Vincent, which is owned by Catholic Healthcare West, and SEIU had agreed to avoid derogatory attacks on each other during an election that the union lost in 2001. SEIU argued that management had violated the agreement, and the court agreed and imposed arbitration. The U.S. Supreme Court declined to hear St. Vincent’s appeal. In June 2004 SEIU reached a four-year settlement covering 14,000 California workers across the state; the new agreement provides pay and benefit increases and a training fund.

Kaiser Permanente and various AFL-CIO unions negotiated a cooperative “partnership” agreement in 1997. Both sides saw benefits in having a less adversarial relationship. An evaluation of the agreement released in August 2003 found that the accord has had a variety of positive effects, but it also noted that such agreements can erode over time. The researchers pointed to CNA’s absence from the agreement and suggested that bringing the union into the pact should be a long-term objective of the parties (McKersie et al. 2003).

Hotels and Resorts

HERE negotiated new contracts with three Disneyland hotels in Anaheim in February 2004, covering about 1,300 workers. Under the contract health insurance coverage is available on a fully employer-paid basis. The union did agree to a two-tier wage plan under which new hires start at 80% of the existing base wage, reaching 100% after four years. HERE succeeded in reaching a contract at Santa Monica’s Four Points Sheraton as part of its larger campaign to organize that city’s beach-area hotels. Contracts with nine major hotels in Los Angeles, covering about 5,000 workers, expired in April. Health care is a major concern at this writing, as HERE seeks to negotiate a contract that would end in 2006, coinciding with the expiration of hotel contracts in other major U.S. cities. By aligning hotel contracts around the country, HERE would be able to hold simultaneous negotiations, increasing its bargaining leverage.

In response to the union’s demands, the hotels offered a five-year pact and said they would begin co-payments for health insurance if the offer was rejected. The hotels let it be known that they would lock out all union workers if the union targeted a single hotel for a strike. Thus, the conflict seemed similar to the earlier southern California grocery strike and lockout (described below).

The issue of gaming and union representation at tribal resorts remained conten-

51. Apart from AFL-CIO affiliated unions and the unaffiliated CNA, there are still other negotiations and organizing going on in California health care. For example, an independent union—the Committee for Recognition of Union Achievement—won a three-year pact with two hospitals in Palo Alto.
tious during 2003–04. During the recall election Governor Schwarzenegger promised to negotiate a better deal on state revenue from such gambling. These issues arose in part because recognized Native American tribes have sovereign rights that put them outside the general reach of state taxation and labor law.52 HERE sponsored a demonstration at the Palm Springs Agua Caliente resort in early April 2004 that was aimed at ensuring that labor rights would be included in any deal between the governor and tribal leadership. The governor reached a budgetary compact with some of the major tribes in June 2004 that provides some increase in state revenue and greater union access for organizing. But not all tribes favor the compact, and two November ballot initiatives related to Indian gaming could upset the compact if passed.

Meanwhile, HERE and UNITE, the apparel union, plan to merge if approved by their memberships at a joint convention in July 2004. The combined union would have 440,000 members nationwide.

**Publishing**

Bitter labor disputes erupted at newspaper publishers in various California cities in the 1960s and 1970s as computers replaced Linotypes and other machines used in hot-type printing and workers feared the loss of their jobs. At the San Francisco Chronicle, which used hot type into the mid-1970s, some workers received lifetime employment guarantees. Further computerization in 2003 led to either the retirement or the retraining of these workers as part of a downsizing program. These adjustments in San Francisco appear to be the final echo of the earlier technology-related disputes.

**Retail**

A bitter grocery strike in southern California developed over issues related to health care funding and demands by management for a two-tier plan to meet competition from nonunion grocery suppliers such as Wal-Mart, the nation’s largest employer. The most commonly reported figure in the media for the number of strikers was 59,000; they worked at Vons and Pavilions (owned by Safeway), Ralphs (owned by Kroger), and Albertsons. Teamster truckers at various points refused to cross picket lines to make deliveries, adding to the number of striking or locked-out workers. Another 11,000 workers continued working at two local chains, Gelson’s and Stater Brothers, that signed “me-too” agreements with the United Food and Commercial Workers (UFCW). Although the strike was called only at Safeway-owned stores, the other two firms responded by immediately locking out their employees.

52. In a related matter, the California Department of Insurance has been investigating one tribe that allegedly has been offering cheap but unregulated workers’ compensation insurance to employers.
workers under a mutual assistance pact that also involved profit sharing among the three chains. This pact was challenged on antitrust grounds by the state attorney general in litigation that has yet to be resolved. Nevertheless, Kroger announced plans to distribute payments to its two rivals by April 2004.

The work stoppage began on October 11, 2003. Negotiations, convened by the head of the Federal Mediation and Conciliation Service, took place intermittently for four and one-half months before the strike was finally settled. At one point union negotiators offered to settle the dispute through binding arbitration, but employers rejected this almost immediately. UFCW held a number of demonstrations at supermarket locations in other parts of the country and near the home of Safeway chairman and CEO Steve Burd.

The UFCW was criticized for not having a more elaborate strategy for negotiations that it knew would be difficult, for ineffective outreach to the public, and for not involving other unions earlier in the process. In addition, many criticized the union’s withdrawal of pickets from Ralphs despite the continuing lockout, a strategy that was not well understood by the shopping public. Toward the end of the dispute national UFCW and AFL-CIO officials assumed a significant role in resolving the impasse. The national president of UFCW resigned shortly after the strike and lockout ended.

The Safeway-owned stores continued to operate with replacement workers throughout the dispute, but the three chains reported large losses in sales, and it appeared that considerable public support for the union workers had developed. Many shoppers took their business to other chains, including “ethnic” food stores, specialty retailers like Trader Joe’s and Whole Foods, and discounters like Costco. The final settlement involved a two-tier wage and benefit plan, although incumbent workers preserved their existing health care program for at least two years of the new three-year agreement and received various lump-sum bonuses.

53. One issue raised was the inclusion in the profit sharing arrangement of the Food 4 Less chain (owned by Ralphs/Kroger) that was not a party to the dispute. The Food 4 Less contract was set to expire in February 2004, but it was extended to April. Legal issues were also raised about the alleged hiring of locked-out workers by some Ralphs store managers under false names and Social Security numbers.

54. In some areas pickets returned sporadically to Ralphs.

55. Estimates of sales losses for the three chains were on the order of $1.5 billion. Stock prices of these chains generally fell in the early weeks of the dispute but rose thereafter to levels at or above their pre-strike values. Sales losses were reported by other retail stores that shared shopping centers with supermarkets involved in the dispute because of reduced traffic. There were even concerns that Girl Scout cookie sales might be adversely affected since the Scouts often sell near supermarkets and that Christmas-time donations to volunteers from the Salvation Army would fall for the same reason. Two HMOs, PacifiCare and Kaiser Permanente, reported a drop in enrollment as striking or locked out workers lost eligibility for coverage.

56. Many Costco workers are union-represented. Workers at the upscale chains such as Whole Foods and Trader Joe’s are not. The Gigante supermarket chain that caters to the Latino market is unionized, but Superior, which competes in the same consumer market, is not.
Following the settlement various public pension funds, including CalPERS, expressed concern about the continued leadership of Safeway CEO Burd. Various legal actions related to the strike and lockout are still pending. Kroger announced it would close fifteen Ralphs stores in Southern California. Gelson’s workers rejected the “me-too” settlement that was supposed to follow the agreement with the three major chains, although workers at the major chains had ratified it by an 86% margin. A new Gelson’s vote was scheduled and the contract was eventually approved. In Inglewood voters rejected a ballot proposition sponsored by Wal-Mart that would have circumvented city council opposition to a new superstore. And a major class-action lawsuit against Wal-Mart was given the go-ahead by the California federal court in June. The allegations, which Wal-Mart denies, involve the unfair treatment of female employees.

In other retail developments, community activists staged demonstrations and filed litigation against clothing retailer Forever 21 in protest of the labor standards of its contractors and subcontractors. The federal courts rejected various claims in March 2004 as being primarily state matters; the activists then filed at the state level. In response, Forever 21 filed a defamation suit against several activists that is still pending. Another clothing retailer, Wet Seal, agreed to compensate workers who claimed underpayment from one of its contractors in January 2004. Under AB 633 (instated in 1999) California retailers and manufacturers can be held accountable for underpayments by their contractors.

Transportation

The transportation sector, by its nature, tends to reflect national trends. The airline industry is still being affected by the economic slump and the post-9/11 travel environment. United Airlines, which has a significant presence at airports such as LAX and SFO, was operating in bankruptcy and engaged in bitter conflict with its unions over reductions in its retiree health care plan. It has failed on several occa-

57. Safeway was experiencing economic difficulties prior to the strike and lockout, including problems in its attempt to sell its Dominick’s chain in Chicago.
58. It is unclear to what degree, if any, the contract finally approved at Gelson’s differed from the one rejected. A union spokesperson indicated that a change was incorporated, but it was not publicly identified.
59. The Los Angeles City Council is considering an ordinance that would effectively bar Wal-Mart superstores from most areas in the city. Wal-Mart has had similar skirmishes with local authorities in other parts of California. Because local governments benefit more from sales taxes than from other forms of revenue, cities have an incentive to offer various concessions to attract “big box” stores. SB 114 (passed in 2003) places certain limits on the ability of local agencies to compete with one another for such retailers.
60. A March 2004 court decision allowed United to cease making payments on bonds issued to build facilities at various airports including LAX. At SFO United has been granted a scaled-back rental agreement. At both airports union organizing has been continuing at various private concessions operating in the terminals, and developments that might undermine traffic could affect those efforts.
sions to obtain a federally guaranteed loan, most recently in June 2004. The airline has created a low-cost subsidiary named Ted that is reminiscent of the discontinued United Shuttle. Ted initially offered only limited service in California, unlike the old Shuttle.61

Pilots at US Airways pledged to work with their carrier to reduce costs, but the airline’s flight attendants complained of poor labor relations. Delta announced executive pay cuts and was negotiating pay cuts for its unionized pilots. Hawaiian Airlines was also pushing for pay concessions. Early negotiations at Alaska Airlines with the Pilots, in which the airline demanded concessions, were terminated in March 2004; binding arbitration will occur if no settlement is reached by December 2004.

Negotiations between Southwest Airlines and the Transport Workers Union (TWU), which represents the airline’s flight attendants, appeared to be deadlocked in April 2004. The parties had been at the table since their contract expired in June 2002. Pay cuts were an issue. The flight attendants claimed that management was offering wages that were well below the industry average. The carrier sought a long contract duration, presumably to avoid future strikes, and a six-year deal was negotiated in late June. Southwest remained profitable after 9/11 and is a major provider of intra-state service in California.

Not all airlines were seeking to cut pay. America West negotiated a three-year contract with its pilots in January 2004 that raised salaries 11% in the first year and provided other benefit enhancements. And not all airline negotiations were focused on bankruptcy and concessions. The Pilots and United Parcel Service were negotiating under an “interest-based bargaining” arrangement for a contract that became amendable under the terms of the Railway Labor Act in December 2003.

In developments in the trucking industry, the Teamsters announced an organizing campaign at USF Bestways, a firm with terminals in various parts of the southwest including Southern California. The Teamsters and the International Longshore and Warehouse Union (ILWU) jointly announced a campaign to improve the safety of truck trailers that service port facilities. Shippers complained that the campaign was indirectly designed to support an organizing drive among truckers who haul containers.

In April the U.S. Supreme Court heard arguments in a NAFTA-related dispute over the presence of Mexican trucks in the United States. Under NAFTA the trucks were to be allowed to have full access to the U.S. market by 2002, but various protests and litigation held up that process. The Ninth Circuit Court had ruled that the U.S. Department of Transportation had to complete an environmental impact study before the trucks would be permitted on U.S. roads, and the Bush administration appealed the decision. The Supreme Court overthrew the Circuit Court’s decision ruling in June. In response, legislators introduced a bill in the California Assembly that would bar Mexican trucks from traveling throughout the state if they do not meet federal pollution standards.

61. Flights are planned between Ontario, California, and Denver, Colorado.
The West Coast longshore industry experienced a high-profile lockout and a Taft-Hartley injunction in 2002 and is now operating under a six-year agreement negotiated at that time. A major issue in that dispute was the introduction of labor-saving technology and related union worker displacement by nonunion personnel. Under the current agreement, as new technology is introduced into the ports the union can file a grievance if it feels that the technology is being used to foster the displacement of union workers. Several such grievances have been filed, although meanwhile employment on the docks has risen as a result of increased international trade.

Utilities

California’s electricity crisis of 2001, which ultimately led to the bankruptcy of Pacific Gas and Electric, apparently complicated negotiations for a labor agreement covering power plant workers, meter readers, and other employees of the company. IBEW members rejected a proposed deal twice before reaching a new five-year contract in October 2003. The contract covers 9,100 workers and provides wage increments, a lump-sum bonus, and pension improvements. An employee co-payment for health insurance was added to the benefit plan.

Other Developments

The City of Los Angeles has a “living wage” ordinance that sets minimum pay and benefit standards for private contractors to city departments. In March 2004 laundry workers sued their employer, Cintas Corp., alleging that the company, which holds a contract with the city’s Department of Water and Power, had not paid the mandated wage. The workers were backed by UNITE, which has been trying to organize laundry workers at Cintas nationwide. In April the workers received the support of Mayor Jim Hahn and some members of the city council. A related lawsuit was filed in Northern California, and in late May Cintas failed in its efforts to have that case dismissed. In February Cintas filed a defamation lawsuit against UNITE in federal court. UNITE and the Teamsters have filed anti-discrimination claims against Cintas with the federal Equal Employment Opportunity Commission.

A high-profile attempt to operate an apparel manufacturing firm in Los Angeles that would pay a living wage and provide benefits was reported to be foundering. The manufacturer, Sweat-X, was started with seed money from a foundation grant and had a contract with UNITE. Sweat-X markets its T-shirts and other apparel to university clothing outlets and other stores that cater to union-friendly customers. Its economic difficulties were attributed in part to poor management and higher production costs.
SUMMARY AND CONCLUSION

California is not a world apart from the rest of the country. Labor relations in the state are heavily affected by national economic trends and are broadly similar to those elsewhere. The rise in health care costs is an aggravating element in labor disputes in California, as it is throughout the nation. Although there have been some high-profile strikes in California recently, California is not more dispute-prone than other regions are. When a high-profile work stoppage in California does occur, it may provide lessons for the rest of the state and the country. The supermarket strike, for example, suggests that unions will need to undertake more intense strategic planning and to improve coordination when bargaining with large national employers.

Roughly half of California’s union-represented workforce is in the public sector, so the state’s budget crisis is a major factor in the labor relations climate and in future negotiations. Although unions supported the Schwarzenegger bond-refinancing proposals in the March 2004 election, they may find themselves in conflict with the new governor over issues such as privatization and other aspects of government restructuring. Since, as the state’s legislative analyst has pointed out, the state’s budget problem is structural—that is, it is not likely to be cured simply by a pickup in the economy—fiscal pressures may well persist for years. And since local government revenues are tied to the state government in various ways, the state’s budget crisis will also affect labor relations in cities, counties, and school districts for an indefinite period.

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1993  McDonnell Douglas, Long Beach
       Aircraft Machinists, 6,800 workers, 3/2/93–3/3/93
Kaiser Permanente, Southern California
       Service Employees, 12,000 workers, 1-day stoppage on 4/1/93
Vallejo Board of Education, Vallejo
       National Education Assn., 1,000 workers, 4/16/93–4/17/93
PPG Industries, California and Pennsylvania
       Aluminum, Brick, and Glass Workers, 1,400 workers, 5/8/93–7/14/93
Pacific Maritime Assn., Bay Area
       Longshore and Warehouse, 1,500 workers, 1-day stoppage on 9/10/93
Southern California Gas Co., Southern California
       Utility Workers and Chemical Workers, 6,000 workers, 1-day stoppage on 10/1/93

1994  Continental Baking, Northern California
       Teamsters, 1,100 workers, 2/4/94–2/11/94
Pirelli Armstrong Tire, California, Tennessee, and Iowa
       Rubber Workers, 1,000 workers, 7/15/94–3/12/95
Los Angeles Metro Transportation Authority, Los Angeles County
       Amalgamated Transit Union, 7,200 workers, 7/25/94–8/2/94
San Francisco Newspapers, San Francisco
       Multi-union, 2,600 workers, 11/1/94–11/12/94

1995  Construction Industry, Southern California
       Drywall workers (no formal union), 3,000 workers, 4/3/95–6/15/95
UCLA student assistants, Los Angeles
       United Auto Workers, 3,000 workers, 4/26/95–4/27/95
Pepsi Cola Bottling, California
       Teamsters, 1,000 workers, 6/26/95–6/28/95
Associated General Contractors, Southern California
       Operating Engineers, 1,200 workers, 8/1/95–10/30/95
Pacific Maritime Assn., California, Oregon, and Washington
       Longshore and Warehouse, 7,500 workers, 1-day stoppage on 8/7/95
Oakland Unified School District, Oakland
       National Education Assn., 3,500 workers, 11/28/95–11/29/95

1996  Oakland Unified School District, Oakland
       National Education Assn., 3,500 workers, 1-day stoppage on 1/30/96
San Diego public schools, San Diego
       National Education Assn., 5,000 workers, 2/1/96–2/8/96
Pacific Maritime Assn., Los Angeles and Long Beach
       Longshore and Warehouse, 3,000 workers, 1-day stoppage on 2/5/96
Oakland Unified School District, Oakland
       National Education Assn., 3,500 workers, 2/15/96–3/20/96
Bay Area cleaning companies, Bay Area
       Service Employees, 4,900 workers, 6/3/96–7/2/96
Compton public schools, Compton
       National Education Assn., 1,100 workers, 1-day stoppage on 6/10/96
Contra Costa County public schools, Contra Costa County
       Multi-union, 4,100 workers, 1-day stoppage on 6/26/96
APPENDIX A.  (Continued)

1996  National Steel and Shipbuilding, San Diego
      Multi-union, 1,800–2,500 workers, 7/17/96–8/16/96 (fewer than 1,000 workers after 8/16/96)

1997  Kaiser Permanente, Northern California
      California Nurses Assn., 17,000 workers, 1-day stoppage on 4/16/97
Kaiser Permanente, Northern California
      California Nurses Assn., 10,500 workers, 7/17/97–7/18/97
Bay Area Rapid Transit, San Francisco Bay Area
      Amalgamated Transit Union, AFSCME, Service Employees, 2,600 workers, 9/7/97–9/13/97
Kaiser Permanente, Northern California
      California Nurses Assn., 20,300 workers, 9/8/97–9/9/97
Los Angeles County child welfare workers, Los Angeles
      Service Employees, 2,200 workers, 9/30/97–10/2/97
Foster Farms Poultry. Livingston
      Food and Commercial Workers, 2,200 workers, 10/8/97–10/23/97
Kaiser Permanente, Northern California
      California Nurses Assn., 8,900 workers, 1-day stoppage on 11/10/97

1998  Kaiser Permanente, Northern California
      California Nurses Assn., 8,000 workers, 1-day stoppage on 1/28/98
Kaiser Permanente, Northern California
      California Nurses Assn., 7,100 workers, 1-day stoppage on 2/24/98
University of California, eight campuses
      Communications Workers, 9,000 workers (1,200 with bargaining rights), 12/1/98–12/6/98

1999  Independent contractors, construction industry, San Mateo County
      Carpenters, 1,000 workers, 5/20/99–5/21/99

2000  Los Angeles Janitorial Maintenance Contractors, Los Angeles County
      Service Employees, 8,500 workers, 4/3/00–4/24/00
University of California student assistants
      United Auto Workers, 5,000 workers, 1-day stoppage on 4/18/00
Stanford Hospital and Packard Children's Hospital, Palo Alto
      Independent nurses union, 1,700 workers, 6/7/00–7/27/00
Ten hospitals in the Bay Area and Northern California
      Service Employees, 3,800 workers, 1-day stoppage on 7/6/00
Drywall contractors in Northern California
      Painters, 1,200 workers, 8/1/00–8/16/00
Eight hospitals in the Bay Area and Northern California
      Service Employees, 3,500 workers, 8/2/00–8/3/00
Three hospitals in the Bay Area
      Service Employees, 1,600 workers, 1-day stoppage on 9/20/00
Advertising agencies in California and elsewhere
      AFTRA and Screen Actors, 13,5000 workers, 5/1/00–10/30/00
Los Angeles Metro Transportation Authority, Los Angeles County
      United Transportation Union, 7,400 workers, 9/16/00–10/17/00
APPENDIX A.  (Continued)

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Industry</th>
<th>Workers</th>
<th>Duration</th>
</tr>
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<tbody>
<tr>
<td>2000</td>
<td>Los Angeles County</td>
<td>Service Employees</td>
<td>47,000</td>
<td>1-day stoppage on 10/11/00</td>
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<tr>
<td></td>
<td></td>
<td>Eight hospitals in the Bay Area and Northern California</td>
<td>Service Employees</td>
<td>3,500</td>
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<tr>
<td></td>
<td>Summit Logistics, Tracy</td>
<td>Teamsters</td>
<td>1,600</td>
<td>10/18/00–12/1/00</td>
</tr>
<tr>
<td></td>
<td>Eighteen hospitals in California</td>
<td>Service Employees</td>
<td>6,000</td>
<td>1-day stoppage on 12/14/00</td>
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<tr>
<td>2001</td>
<td>Northern California Painters and Finishing Contractors, San Francisco area</td>
<td>Painters</td>
<td>1,000</td>
<td>7/1/01–7/30/01</td>
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<tr>
<td></td>
<td>Painters and Decorators Joint Committee, Oakland area</td>
<td>Painters</td>
<td>1,200</td>
<td>7/1/01–7/23/01</td>
</tr>
<tr>
<td></td>
<td>Hospitals in Northern California</td>
<td>Service Employees</td>
<td>3,500</td>
<td>4/16/01–4/19/01</td>
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<tr>
<td>2002</td>
<td>Delta Dental, Northern California</td>
<td>Teamsters</td>
<td>1,200</td>
<td>7/19/02–8/12/02</td>
</tr>
<tr>
<td></td>
<td>Pacific Maritime Assn., California, Oregon and Washington</td>
<td>Longshore and Warehouse</td>
<td>10,500</td>
<td>9/27/02–10/9/02</td>
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<tr>
<td>2003</td>
<td>San Joaquin County, Stockton</td>
<td>Service Workers</td>
<td>5,000</td>
<td>8/4/03–8/8/03</td>
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<tr>
<td></td>
<td>Albertsons, Ralphs, and Vons Markets, Southern California</td>
<td>Food and Commercial Workers</td>
<td>67,300–59,300</td>
<td>10/12/03–2/29/04</td>
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<td></td>
<td>Los Angeles Metro Transportation Authority, Los Angeles County</td>
<td>Amalgamated Transit Unit</td>
<td>6, 200</td>
<td>10/14/03–11/17/03</td>
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</table>

Source: BLS 2004b.
**APPENDIX B. Distribution of 100 Major California Contracts, 2003**

<table>
<thead>
<tr>
<th>Category</th>
<th>Manufacturing</th>
<th>Nonmanufacturing</th>
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<td>N = 40</td>
<td>N = 60</td>
<td></td>
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<tr>
<td>Chemicals</td>
<td>3</td>
<td>4 Amusement: movies</td>
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<tr>
<td>Fabricated metals</td>
<td>3</td>
<td>3 Automotive services</td>
</tr>
<tr>
<td>Foods</td>
<td>14</td>
<td>5 Business and personal services</td>
</tr>
<tr>
<td>Instruments</td>
<td>1</td>
<td>2 Communications</td>
</tr>
<tr>
<td>Machinery</td>
<td>5</td>
<td>5 Construction</td>
</tr>
<tr>
<td>Paper</td>
<td>1</td>
<td>3 Education</td>
</tr>
<tr>
<td>Primary metals</td>
<td>2</td>
<td>13 Health care</td>
</tr>
<tr>
<td>Printing</td>
<td>4</td>
<td>6 Hotels</td>
</tr>
<tr>
<td>Stone-clay-glass</td>
<td>1</td>
<td>2 Local transit</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>6</td>
<td>1 Mining</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 Real estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6 Retail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Utilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7 Wholesale</td>
</tr>
</tbody>
</table>

**Source:** Survey undertaken by BNA for the UC Institute of Labor and Employment, 2003.
## APPENDIX C. Major BLS Contract Expirations in the Public Sector, 2004

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Location</th>
<th>Union</th>
<th>Workers</th>
<th>Date</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Cruz City (general unit)</td>
<td>Santa Cruz</td>
<td>SEIU</td>
<td>1,000</td>
<td>4/23/04</td>
<td>Other</td>
</tr>
<tr>
<td>California, University of (patient care tech, Unit 13)</td>
<td>California</td>
<td>AFSCME</td>
<td>7,750</td>
<td>4/30/04</td>
<td>Higher ed</td>
</tr>
<tr>
<td>Santa Clara County (general unit)</td>
<td>Santa Clara</td>
<td>SEIU</td>
<td>8,000</td>
<td>6/20/04</td>
<td>Other</td>
</tr>
<tr>
<td>Orange County (general unit)</td>
<td>Santa Ana</td>
<td>OCEA-I</td>
<td>3,150</td>
<td>6/24/04</td>
<td>Other</td>
</tr>
<tr>
<td>Orange County (office service)</td>
<td>Santa Ana</td>
<td>OCEA-I</td>
<td>2,700</td>
<td>6/24/04</td>
<td>Other</td>
</tr>
<tr>
<td>Orange County (supervisors unit)</td>
<td>Santa Ana</td>
<td>OCEA-I</td>
<td>1,550</td>
<td>6/24/04</td>
<td>Other</td>
</tr>
<tr>
<td>California State University (faculty and library, Unit 3)</td>
<td>California</td>
<td>SEIU</td>
<td>18,500</td>
<td>6/30/04</td>
<td>Higher ed</td>
</tr>
<tr>
<td>California, University of (service, Unit 11)</td>
<td>California</td>
<td>AFSCME</td>
<td>6,750</td>
<td>6/30/04</td>
<td>Higher ed</td>
</tr>
<tr>
<td>Ventura County Community College District (faculty)</td>
<td>Ventura</td>
<td>AFT</td>
<td>1,600</td>
<td>6/30/04</td>
<td>Higher ed</td>
</tr>
<tr>
<td>ABC Unified School District (teachers)</td>
<td>Cerritos</td>
<td>AFT</td>
<td>1,100</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>Anaheim City School District (certificated)</td>
<td>Anaheim</td>
<td>NEA</td>
<td>1,000</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>Capistrano Unified School District (certified staff)</td>
<td>San Juan Capistrano</td>
<td>AFT</td>
<td>2,300</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>Capistrano Unified School District (classified)</td>
<td>San Juan Capistrano</td>
<td>SEIU</td>
<td>2,100</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>Elk Grove United School District (classified)</td>
<td>Elk Grove</td>
<td>AFSCME</td>
<td>1,074</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>Fontana Unified Schools (classified)</td>
<td>Fontana</td>
<td>USA</td>
<td>1,100</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>Fontana Unified Schools (teachers, counselors)</td>
<td>Fontana</td>
<td>NEA</td>
<td>1,200</td>
<td>6/30/04</td>
<td>K-12</td>
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<tr>
<td>Fremont Board of Education (teachers)</td>
<td>Fremont</td>
<td>NEA</td>
<td>1,700</td>
<td>6/30/04</td>
<td>K-12</td>
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<tr>
<td>Lodi Unified School District (teachers)</td>
<td>Lodi</td>
<td>NEA</td>
<td>1,200</td>
<td>6/30/04</td>
<td>K-12</td>
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<tr>
<td>Montebello Unified School District (certificated)</td>
<td>Montebello</td>
<td>NEA</td>
<td>1,845</td>
<td>6/30/04</td>
<td>K-12</td>
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<tr>
<td>Mt. Diablo Unified School District (teachers)</td>
<td>Concord</td>
<td>NEA</td>
<td>1,750</td>
<td>6/30/04</td>
<td>K-12</td>
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<tr>
<td>Orange Unified Schools (teachers)</td>
<td>Orange</td>
<td>NEA</td>
<td>1,100</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>Poway Unified School District (teachers)</td>
<td>Poway</td>
<td>AFT</td>
<td>1,500</td>
<td>6/30/04</td>
<td>K-12</td>
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<tr>
<td>San Diego Unified School District (para-educators)</td>
<td>San Diego</td>
<td>SEIU</td>
<td>2,700</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>San Francisco Unified School District (support)</td>
<td>San Francisco</td>
<td>AFT</td>
<td>2,000</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>San Francisco Unified School District (teachers)</td>
<td>San Francisco</td>
<td>AFT</td>
<td>5,200</td>
<td>6/30/04</td>
<td>K-12</td>
</tr>
<tr>
<td>Local Government Unit</td>
<td>Union/Association</td>
<td>Total Number</td>
<td>Date</td>
<td>Industry</td>
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<td>-----------------------------------------------------------</td>
<td>---------------------</td>
<td>--------------</td>
<td>----------</td>
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<tr>
<td>San Francisco Unified School District (b/c, w/c)</td>
<td>San Francisco SEIU</td>
<td>1,300</td>
<td>6/30/04</td>
<td>K-12</td>
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<tr>
<td>San Juan Unified School District (teachers)</td>
<td>Carmichael NEA</td>
<td>1,400</td>
<td>6/30/04</td>
<td>K-12</td>
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<tr>
<td>Santa Ana Unified School District (certificated)</td>
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<td>3,000</td>
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<td>K-12</td>
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<tr>
<td>Los Angeles (administrative unit)</td>
<td>Los Angeles EAA</td>
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<td>6/30/04</td>
<td>Other</td>
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<tr>
<td>Los Angeles (clerical and support services)</td>
<td>Los Angeles AFSCME</td>
<td>4,300</td>
<td>6/30/04</td>
<td>Other</td>
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<tr>
<td>Los Angeles (equipment operators and laborers)</td>
<td>Los Angeles SEIU</td>
<td>3,300</td>
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<tr>
<td>Los Angeles (professionals, engineers, and scientific unit)</td>
<td>Los Angeles EAA-I</td>
<td>1,500</td>
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<tr>
<td>Los Angeles (service and crafts)</td>
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<tr>
<td>Los Angeles (technical unit)</td>
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<td>Marin County (units 1-5 and 16)</td>
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<tr>
<td>San Joaquin County (office, technical, and clerical)</td>
<td>Stockton SEIU</td>
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<td>6/30/04</td>
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<tr>
<td>San Jose (clerical and support staff)</td>
<td>San Jose AFSCME</td>
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<td>6/30/04</td>
<td>Other</td>
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<tr>
<td>Los Angeles (safety, security, and non-sworn)</td>
<td>Los Angeles SEIU</td>
<td>1,200</td>
<td>6/30/04</td>
<td>Police</td>
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<tr>
<td>Alameda Contra Costa Transit Authority (drivers)</td>
<td>Oakland ATU</td>
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<tr>
<td>Bay Area Rapid Transit (bus drivers and operators)</td>
<td>San Francisco ATU</td>
<td>900</td>
<td>6/30/04</td>
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<td>San Francisco Municipal Railway (transit operators)</td>
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<td>6/30/04</td>
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<td>California State University (crafts and maintenance, Unit 12)</td>
<td>California IUOE</td>
<td>11,109</td>
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<tr>
<td>Alameda County (multi-department unit)</td>
<td>Oakland SEIU</td>
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<td>7/28/04</td>
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<td>Los Angeles (building trades)</td>
<td>Los Angeles LABCTC</td>
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<td>California, University of (clerical and allied services, Unit 12)</td>
<td>California CUE-I</td>
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<td>California, University of (research support)</td>
<td>California CWA</td>
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<td>9/30/04</td>
<td>Higher ed</td>
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<tr>
<td>California, University of (technical unit)</td>
<td>California CWA</td>
<td>4,000</td>
<td>9/30/04</td>
<td>Higher ed</td>
<td></td>
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<tr>
<td>Long Beach (non-supervisory)</td>
<td>Long Beach IAM</td>
<td>4,000</td>
<td>10/1/04</td>
<td>Other</td>
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<tr>
<td>San Juan Unified School District general unit</td>
<td>Carmichael SEIU</td>
<td>2,200</td>
<td>11/15/04</td>
<td>K-12</td>
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<td>San Bernardino County (general unit)</td>
<td>San Bernardino SBPEA-I</td>
<td>12,000</td>
<td>12/24/04</td>
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<tr>
<td>Riverside County (law enforcement)</td>
<td>Riverside RSA-I</td>
<td>850</td>
<td>12/31/04</td>
<td>Police</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** BLS 2004b.
## APPENDIX D. Major BLS Contract Expirations in the Private Sector, 2004

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Location</th>
<th>Union</th>
<th>Workers</th>
<th>Date</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Company, doing business as Costco Wholesale (was Price Club)</td>
<td>California</td>
<td>IBT</td>
<td>7,800</td>
<td>2/1/04</td>
<td>wholesale, retail</td>
</tr>
<tr>
<td>IBT Conventional Dairy Agreement (office workers)</td>
<td>Southern California</td>
<td>IBT</td>
<td>1,800</td>
<td>2/28/04</td>
<td>manufacturing</td>
</tr>
<tr>
<td>IBT Conventional Dairy Agreement (plant and drivers)</td>
<td>Southern California</td>
<td>IBT</td>
<td>1,800</td>
<td>2/28/04</td>
<td>manufacturing</td>
</tr>
<tr>
<td>Pacific Télésis Group (Pacific Bell, Nevada Bell et al.)</td>
<td>National</td>
<td>CWA</td>
<td>34,000</td>
<td>4/1/04</td>
<td>utilities</td>
</tr>
<tr>
<td>Hotel Restaurant Employers’ Council of Southern California, Inc.</td>
<td>Southern California</td>
<td>HERE</td>
<td>5,000</td>
<td>4/15/04</td>
<td>service</td>
</tr>
<tr>
<td>Boeing Co. (was McDonnell Douglas)</td>
<td>Long Beach</td>
<td>UAW</td>
<td>4,976</td>
<td>4/25/04</td>
<td>manufacturing</td>
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<tr>
<td>Mason Contractors Exchange of Southern California</td>
<td>Southern California</td>
<td>BAC</td>
<td>1,100</td>
<td>4/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>AMPTP (basic theatrical and television)</td>
<td>National</td>
<td>WGA</td>
<td>7,800</td>
<td>5/1/04</td>
<td>service</td>
</tr>
<tr>
<td>National Electrical Contractors Association (inside wireman)</td>
<td>Sacramento</td>
<td>IBEW</td>
<td>1,500</td>
<td>5/31/04</td>
<td>construction</td>
</tr>
<tr>
<td>National Electrical Contractors Association (inside)</td>
<td>Oakland</td>
<td>IBEW</td>
<td>1,000</td>
<td>5/31/04</td>
<td>construction</td>
</tr>
<tr>
<td>National Electrical Contractors Assn (residential)</td>
<td>Santa Clara</td>
<td>IBEW</td>
<td>1,600</td>
<td>5/31/04</td>
<td>construction</td>
</tr>
<tr>
<td>San Diego Hospital Association, doing business as Sharp Healthcare</td>
<td>San Diego</td>
<td>UNAC</td>
<td>3,500</td>
<td>5/31/04</td>
<td>health care</td>
</tr>
<tr>
<td>Macy’s California Department Stores</td>
<td>San Francisco</td>
<td>UFCW</td>
<td>2,000</td>
<td>5/31/04</td>
<td>wholesale, retail</td>
</tr>
<tr>
<td>AGC, San Diego</td>
<td>San Diego</td>
<td>IUOE</td>
<td>1,700</td>
<td>6/15/04</td>
<td>construction</td>
</tr>
<tr>
<td>AGC, forty-six counties in Northern California</td>
<td>Northern California</td>
<td>UBC</td>
<td>5,000</td>
<td>6/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>AGC, San Diego County</td>
<td>San Diego</td>
<td>LIUNA</td>
<td>3,000</td>
<td>6/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>AGC (pile drivers)</td>
<td>Northern California</td>
<td>UBC</td>
<td>1,200</td>
<td>6/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>Iron Worker Employers Council</td>
<td>Nevada and California</td>
<td>BSOIW</td>
<td>11,000</td>
<td>6/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>Nevada Contractors Association</td>
<td>Nevada, California, and Arizona</td>
<td>UBC</td>
<td>1,800</td>
<td>6/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>Painting and Decorating Contractors Association, AGC</td>
<td>Nevada, California, and Arizona</td>
<td>UBC</td>
<td>1,800</td>
<td>6/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>SCCA, Southern California (excludes San Diego)</td>
<td>Southern California</td>
<td>IUOE</td>
<td>14,000</td>
<td>6/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>AMPTP (TV)</td>
<td>National</td>
<td>SAG</td>
<td>34,500</td>
<td>6/30/04</td>
<td>service</td>
</tr>
<tr>
<td>Company and Agreement Details</td>
<td>Location</td>
<td>Union</td>
<td>Membership</td>
<td>Date</td>
<td>Industry</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------</td>
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<td>----------</td>
</tr>
<tr>
<td>Associated Produce Dealers of Los Angeles</td>
<td>Los Angeles</td>
<td>IBT</td>
<td>1,400</td>
<td>6/30/04</td>
<td>wholesale, retail</td>
</tr>
<tr>
<td>Hotels, The (multi-employer)</td>
<td>San Francisco</td>
<td>HERE</td>
<td>6,500</td>
<td>8/14/04</td>
<td>service</td>
</tr>
<tr>
<td>San Diego Gas and Electric Co.</td>
<td>San Diego</td>
<td>IBEW</td>
<td>1,500</td>
<td>8/31/04</td>
<td>utilities</td>
</tr>
<tr>
<td>Albertson's, Inc. (food agreement)</td>
<td>Northern California</td>
<td>UFCW</td>
<td>14,000</td>
<td>9/11/04</td>
<td>wholesale, retail</td>
</tr>
<tr>
<td>Safeway (food agreement)</td>
<td>Northern California</td>
<td>UFCW</td>
<td>14,000</td>
<td>9/11/04</td>
<td>wholesale, retail</td>
</tr>
<tr>
<td>National Electrical Contractors Association (sound and communications, Southern California)</td>
<td>Southern California</td>
<td>IBEW</td>
<td>10,000</td>
<td>11/30/04</td>
<td>construction</td>
</tr>
<tr>
<td>Southern California Gas Co.</td>
<td>Southern California</td>
<td>UWU, ICW</td>
<td>5,800</td>
<td>12/31/04</td>
<td>utilities</td>
</tr>
</tbody>
</table>

source: BLS 2004b.
About the Contributors

Eileen Appelbaum is Professor and Director of Rutgers University’s Center for Women and Work. Formerly she was Research Director at the Economic Policy Institute in Washington, D.C. Her recent publications have examined the effects of high performance workplace practices and the effects of work-family practices on organizations. She has published numerous articles on workforce, employment and labor market issues, and the labor market experiences of women. She is the author of Back to Work: Determinants of Women’s Successful Reentry (1982), co-author of Manufacturing Advantage: Why High Performance Work Systems Pay Off (2000), and co-editor of Low-Wage America: How Employers Are Shaping Opportunity in America (2003).

Lisa Catanzarite is Associate Professor in the Sociology Department at Washington State University. Her research focuses on labor markets and social inequality by race/ethnicity and gender, with a particular emphasis on occupational segregation. Recent articles concerned with Latino immigrants appear in Social Problems, Work and Occupations, and Review of Black Political Economy.

Arindrajit Dube is a research economist at the UC Berkeley Institute of Industrial Relations. He has worked on health and labor economics, and his past research has examined the impact of service sector outsourcing, the effects of trade and capital mobility on income distribution, and legislation such as the Paid Family Leave and the Health Insurance acts.

Candace Howes is the Hogate Ferrin ’43 Chair in Labor and the International Economy and Associate Professor of Economics at Connecticut College. She is the author of Competitiveness Matters: Industry and Economic Performance in the U.S. (2000) and numerous articles and chapters. Her recent research has focused on the problems that arise when very low wages are paid to service workers, especially those providing care to the elderly and disabled. She is the recipient of a two-year grant from the Robert Wood Johnson Foundation and Atlantic Philanthropies to study how low wages and benefits contribute to the shortage of home care providers in California.

Ken Jacobs is the Deputy Chair of the UC Berkeley Center for Labor Research and Education. His current research focuses on low-wage work, health care, labor relations and public policy. Briefing papers include Hidden Cost of Wal-Mart Jobs, co-authored with Arindrajit Dube, and Living Wages and Economic Performance: The San Francisco Airport Model, with Michael Reich and Peter Hall. Before joining the center, he was with the Bay Area Organizing
Committee (BAOC), an affiliate of the Industrial Areas Foundation, where he worked on improving wages and expanding health care coverage for low-wage workers.

Ruth Milkman is Professor of Sociology and Director of the Institute of Industrial Relations at UCLA. She served as Director of the UC Institute for Labor and Employment from 2001 to 2004. Her research and writing has ranged over a variety of issues surrounding work and labor organization. She is the author of Farewell to the Factory: Auto Workers in the Late Twentieth Century (1997) and co-author (with Kim Voss) of Rebuilding Labor: Organizing and Organizers in the New Union Movement (2004). Her current research focuses on immigrant workers and their relationship to organized labor in contemporary Southern California.

Daniel J.B. Mitchell is the Ho-Su Wu Chair in Management at UCLA’s Anderson Graduate School of Management and holds a joint appointment in the UCLA School of Public Policy and Social Research. He is an expert on wage determination and labor issues and has written extensively on such topics as concession bargaining, flexible pay plans, employee benefits, social insurance, and other aspects of labor market analysis. He is co-editor of the journal Industrial Relations and past president of the North American Economics and Finance Association. He is the former director of the UCLA Anderson School’s Forecasting Project.

Carol Zabin is the Associate Chair of the UC Berkeley Labor Center. She has published widely on community development and labor market dynamics in Mexico and the United States. Her current interests include economic development policy, living wage initiatives, employment policy reform in the care industries, and developing a policy framework for the working poor.