CALIFORNIA IS WORKING:

The Effects of California's Public Policy on Jobs and the Economy Since 2011

By Ian Perry

UC BERKELEY LABOR CENTER

UC Berkeley Center for Labor Research and Education

November 2017

CALIFORNIA IS WORKING:

The Effects of California's Public Policy on Jobs and the Economy Since 2011

Summary

Between 2011 and 2016, California enacted a set of 51 policy measures addressing workers' rights, environmental issues, safety net programs, taxation, and infrastructure and housing. Critics predicted that these policies—collectively called "the California Policy Model" (CPM) in this paper—would reduce employment and slow economic growth, while supporters argued that they would raise wages for low-wage workers, increase access to health insurance, lower wage inequality, and reduce carbon emissions. This paper assesses some of these claims and prognoses, and finds that:

- Employment and GDP growth were not adversely affected by the California Policy Model.
- Wages for low-wage workers as well as overall health insurance rates statewide rose with the implementation of the California Policy Model.
- Wage inequality declined modestly as the California Policy Model was enacted.
- California was successful in putting the state on pace to meet its 2020 carbon emissions reduction goals.
- Though California has begun to address these issues, enforcement of labor standards and a lack of affordable housing remain as challenges facing the state.

While there are methodological challenges inherent in this type of policy evaluation, the findings of this analysis suggest that the CPM was successful in meeting its goals for increased wage growth and health insurance access and decreases in carbon emissions and wage inequality, without reducing employment or impeding economic growth.

Introduction

There is a longstanding and continuing debate over the proper role of government in setting economic policy. Proponents of government intervention argue that rules can protect the public, strengthen industries, and spur innovation. They contend government programs can alleviate market failures like monopoly power, externalities, differences in information, and under-provision of public goods. Advocates recognize that government actions in these areas may carry costs, but they argue that the benefits of these activities outweigh those costs, and on net are a positive for the economy.[1]

On the other hand, proponents of minimal regulation and limited government action believe that the costs of government programs outweigh their benefits, primarily due to the market distortions and resultant inefficiencies arising from government interference in the economy. In addition, they argue that the costs of funding government action, either through taxes or altered incentives, slows economic progress and overall leads to worse outcomes compared to a more laissez-faire system.[2]

In 2011, Democrat Jerry Brown succeeded Republican Arnold Schwarzenegger as California's governor, and California voters passed Proposition 25, which provided for state budget approval with a simple majority vote in the legislature as opposed to the prior two-thirds requirement. Already controlling both houses of the state legislature, the addition of the governorship and the simplified budget process allowed California Democrats to enact an activist economic policy agenda. Labeled "the California Policy Model" (CPM) here, this set of policies expanded the role of government in California's economy by raising its minimum wage, extending health insurance to millions of residents, setting ambitious climate policy, and raising taxes on high earners and corporations.

Governor Brown believes this set of policies, backed by labor, environmental, and community based organizations, will "work for everybody—corporations, workers and the environment."[3] He views California as "the wave of the future," and its policy model as an example for other states to follow.[4] Opponents of these policies argue that the CPM will degrade the business climate in the state, and predict that business, people, and companies will leave California, limiting the state's economic potential and reducing employment and incomes.[5]

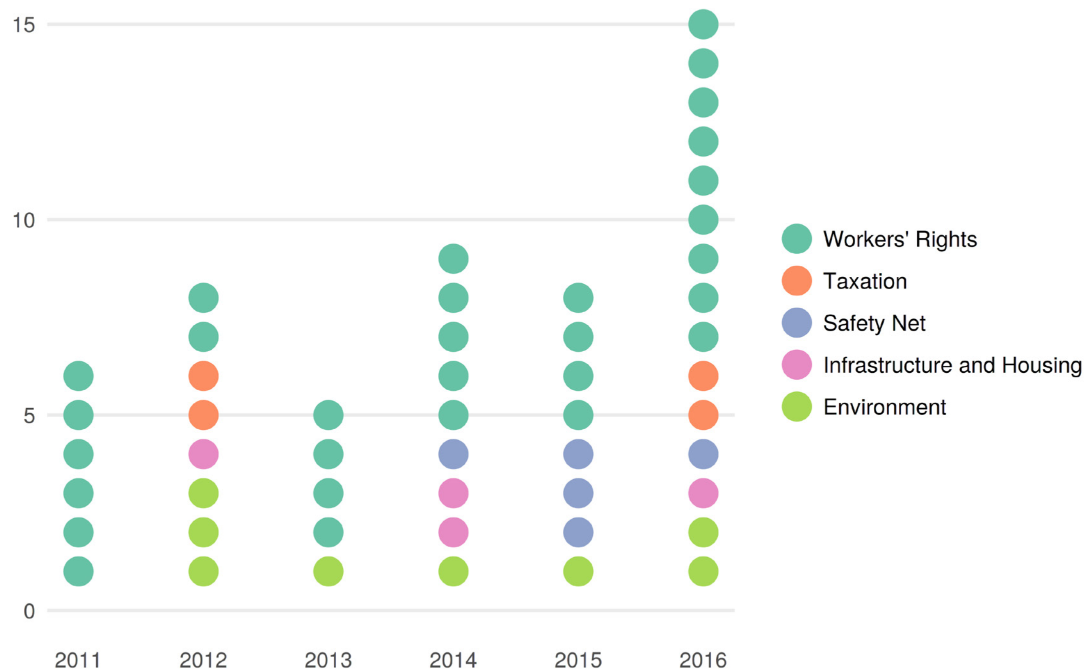
This report will briefly describe the components of the CPM, and then compare California's performance on jobs and economic growth to states led by Republican-controlled governments. Then, it evaluates some of the larger pieces of the CPM to determine if the policies had their intended effects. Finally, it uses the synthetic control statistical method to ensure that the analysis makes an apples to apples comparison of California's performance.

Defining the California Policy Model

The California Policy Model as defined here is a collection of 51 pieces of legislation and policy implementations enacted in California between 2011 and 2016 in the areas of workers' rights, the safety net, the environment, taxation, and infrastructure and housing. Included in the CPM are minimum wage increases, the state's implementation of the ACA, several policies related to climate change, and a large set of new protections for the state's workforce. The policies were selected for inclusion in the CPM through a combination of conversations with participants and observers of California politics, and an examination of legislation prioritized by the California Labor Federation or opposed at some point as "job-killers" by the California Chamber of Commerce.

Figure 1 (page 4) shows the timeline of the CPM broken out by policy category. The sections below briefly describe the CPM policies in each category. The full list of CPM policies can be found in the Appendix.

Figure 1: Policies Included in the California Policy Model by Category and Year Enacted



Note: Dots indicate individual policies.

Workers' Rights

In July 2014, California raised its minimum wage from $8 to $9 per hour, and then to $10 per hour in January 2016. Overall, 3.3 million Californians were projected to see their wages increase, by an annual average of $800.[6] In the midst of a wave of 22 California cities and counties passing their own minimum wage increases above the state minimum,[7] the state passed Senate Bill (SB) 3 in 2016, which set the state minimum wage on a path to $15 per hour by 2022, and then to increase annually with the cost of living. The $15 minimum wage is projected to affect 5.6 million workers when it fully phases in, on average raising their pay by $3,700 per year.[8]

The CPM contains a number of other policies intended to expand workers' rights. Some, like the state's efforts to combat wage theft, also increase pay. California mandated paid sick leave for all workers, and created a savings plan to promote retirement security for workers who do not have access to retirement savings plans through their job. The CPM also contains targeted worker protections that extend additional rights to workers in specific classes and industries, including a number of measures to protect workers from mistreatment on the basis of immigration status.

Environment

In 2006, under Governor Schwarzenegger, California passed AB 32, which committed the state to lowering its greenhouse gas emissions to 1990 levels by 2020. In 2012 and 2013, as part of the California Policy Model under Governor Brown, the state enacted regulations implementing AB 32 that encouraged emissions reduction and started its cap and trade program. In 2015 and 2016, California passed SB 350, committing the state to greater use of renewable energy and further improvements in energy efficiency, and SB 32, which raised the emissions reduction goal to 40 percent below 1990 levels by 2030.

Safety Net

In 2013, California opted in to the Affordable Care Act's Medicaid expansion. As a result, by 2014 all California residents with legal immigration status earning less than 138 percent of the Federal Poverty Level—3.7 million Californians—gained access to comprehensive health insurance through Medi-Cal (the state's Medicaid program).[9] As part of its ACA implementation, California also took an active role in reforming its individual insurance market, establishing its own exchange, called Covered California, which pursued the country's most vigorous "active purchasing" strategy. This included establishing a standard insurance plan design in order to simplify the process of purchasing insurance; only allowing insurers that meet rigorous standards to sell policies on the exchange; and requiring insurers to assist in efforts to improve the delivery of healthcare.[10] In June 2016, 1.2 million Californians were receiving subsidies to purchase coverage via Covered California.[11]

In 2015, California further expanded its Medi-Cal program to include undocumented immigrant children, making an estimated 250,000 additional children eligible for coverage.[12] California fully funds this coverage expansion as federal funds cannot be spent on undocumented residents.

Also in 2015, California established a state earned income tax credit (EITC) to supplement the earnings of its low-wage workers. Childless workers earning up to $6,580 can receive a maximum credit of $214, and workers with children earning up to $13,870 can receive a maximum credit of $2,653.[13] The EITC is projected to raise incomes for 2 million Californians, on average providing their families with an additional $460 per year.[14]

In 2016, California eliminated the controversial maximum family grant (MFG) from the Temporary Assistance for Needy Families (TANF) public assistance program. The MFG prevented a family's TANF income from increasing with the birth of a new child if anyone in the family received aid in the ten months prior to the birth. By removing the MFG, an estimated 130,000 California children from 95,000 families are projected to receive an additional $136 per month.[15]

Taxation

During the 2012 and 2016 elections, California voters passed three ballot propositions that raised taxes on high-income earners and corporations. In 2012, Proposition 30 raised the sales tax in the state by 0.25 percentage points, and raised income taxes on high-income Californians to increase funding for public education by $6 billion per year.[16] Proposition 39, also passed in 2012, made it more difficult for multi-state businesses to avoid California corporate income taxes. The measure is expected to raise about $1 billion per year, with half of those additional tax receipts dedicated to supporting clean energy and energy efficiency projects.[17]

In 2016, California voters passed Proposition 55, which extended Proposition 30's tax increases on high-income Californians until 2030. It did not extend the sales tax increase from Proposition 30. Proposition 55 also established budgetary mechanisms to increase funding for the state's Medi-Cal health insurance program. The measure is expected to raise $4 to $9 billion per year.[18] California voters also passed Proposition 56, which increased taxes on cigarettes by $2 per pack. The measure is projected to raise $1 billion annually, with the money to be spent on healthcare programs.[19]

Infrastructure and Housing

California has made major investments in public infrastructure. In 2014, the state allocated 25 percent of the revenue raised from its cap and trade program to the construction of its high-speed rail link between the San Francisco Bay Area and Los Angeles. During the 2014 election, California voters approved $7.5 billion in bond financing to improve the state's water infrastructure.

In 2012, California passed the Homeowner's Bill of Rights, which provided California homeowners with expanded protections during the foreclosure process, and in 2016 it extended many of these rights to the survivors of deceased homeowners.

How Did the California Policy Model Affect Jobs and the Economy?

The first step in evaluating the effects of the California Policy Model is to compare California's economic performance with the average economic performance of Republican-controlled states, meaning those in which Republicans held the governor's office and control of the state legislature throughout the period of CPM implementation (2011 to 2016). Using this definition, the following 19 states were considered to be Republican controlled and thus were included in this analysis: Alabama, Arizona, Florida, Georgia, Idaho, Indiana, Kansas, Michigan, Nebraska, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Wisconsin, and Wyoming.

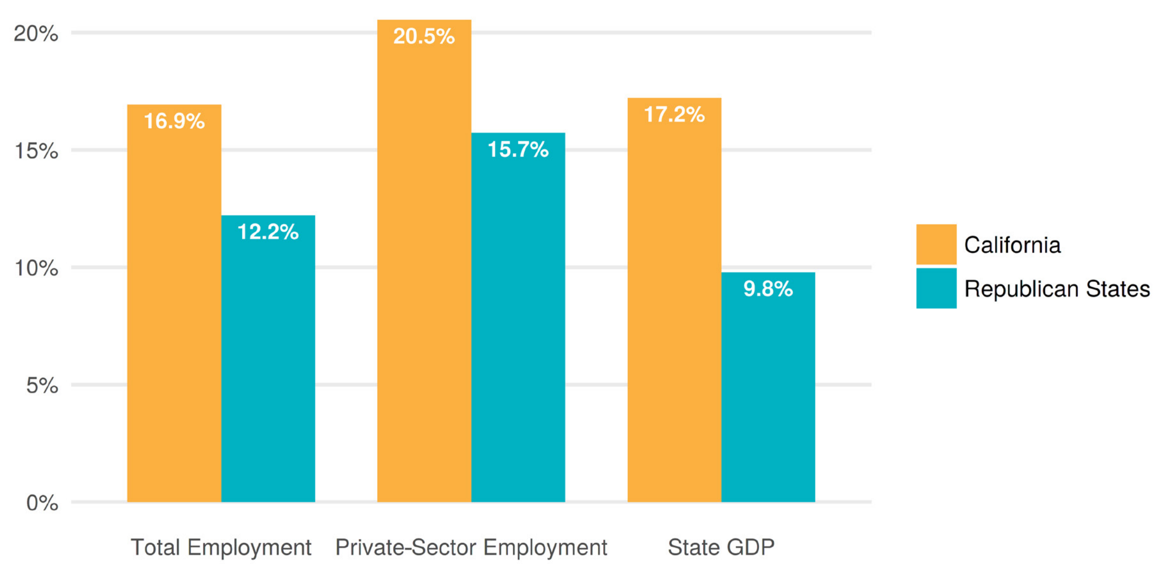
A primary critique of interventionist economic policies such as those included in the California Policy Model is that they will dampen employment. We test this notion by using two indicators to compare changes in employment from 2011 to 2016 in California with changes in Republican-controlled states. Total employment, the first indicator, includes both the public and private sectors and gives a picture of overall job growth. Private-sector employment is broken out and analyzed separately as the second indicator. Critics of interventionist policies argue that negative impacts could be more severe in the private sector than in the public sector, since businesses are less able to absorb potential costs created by market regulations and would therefore be more likely to reduce employment in response.

Critics also argue that interventionist economic policies will have a negative effect on economic growth. To test this claim, we compare the growth of state GDP from 2011 to 2016 in California with that in the Republican-controlled states.

As seen in Figure 2, California has had greater employment growth, both overall and in the private sector, than the average of the Republican-controlled states. Total employment grew by 16.9 percent in California from 2011 to 2016 compared to an average

Figure 2: Employment and GDP Growth from 2011 to 2016

California vs. Average of Republican-Controlled States



Source: Author's analysis of Quarterly Census of Employment and Wages and Bureau of Economic Analysis data.

of 12.2 percent in Republican-controlled states. In the private sector, California employment grew by 20.5 percent, while the average private-sector employment growth in Republican-controlled states was just 15.7 percent.

Also shown in Figure 2, California has had stronger economic growth than the Republican states. Between 2011 and 2016, California's GDP grew by 17.2 percent, whereas Republican states' average growth was only 9.8 percent.

Did the Policies Achieve their Goals?

The analysis of employment and economic growth in California and Republican-controlled states shows no evidence whatsoever of "job killing" effects from the California Policy Model. We next turn to the question of whether the CPM policies achieved their intended effects. This section examines whether the CPM was successful in raising wages for low-wage workers, increasing the number of Californians with health insurance, reducing wage inequality, and curbing carbon emissions.

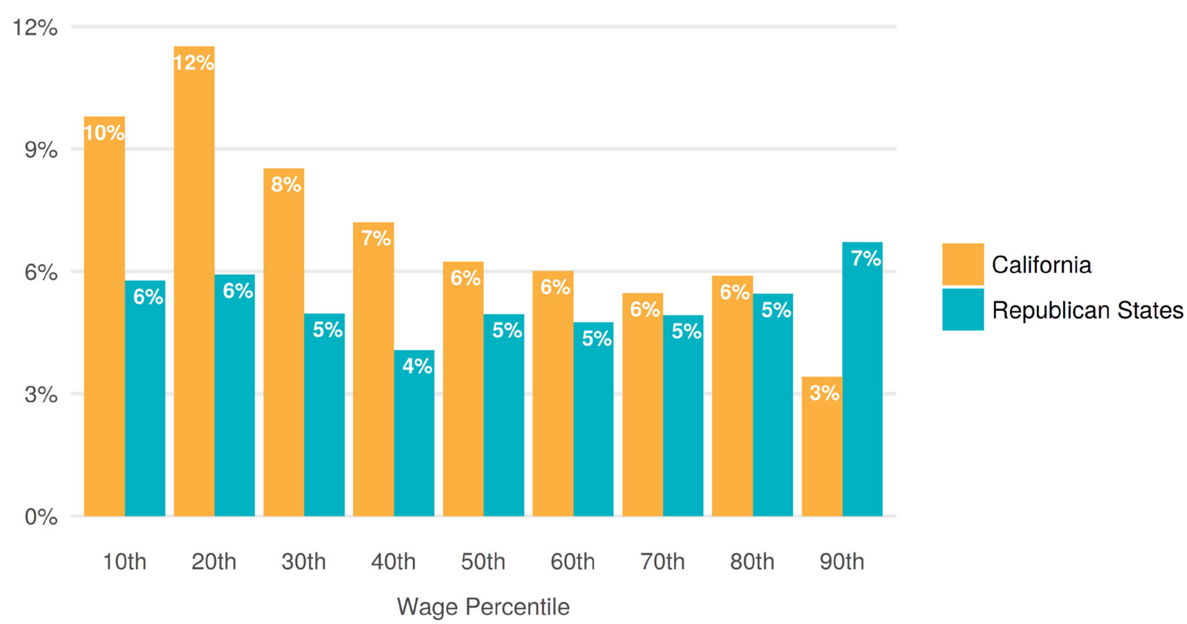
Wage Growth for Low-Wage Workers

In 2016 California passed SB 3, setting the state on a seven-step path to a $15 per hour minimum wage by 2023. With the first step of the increase happening in early 2017, it is too early to evaluate this law here. It is possible, however, to measure the effects of California's two prior minimum wage increases (from $8 to $9 in July 2014, and then to $10 in January 2016) on wage growth for low-wage workers.[20]

As Figure 3 shows, wage growth for low-wage workers from 2014 to 2016 in California outpaced that in Republican-controlled states. Wages at the 10th percentile of the wage distribution grew by 10 percent in California over this period compared to 6 percent on average in Republican states. At the 20th

Figure 3: Wage Growth by Percentile from 2014 to 2016

California vs. Average of Republican-Controlled States



Source: Author's analysis of Current Population Survey Outgoing Rotation Group data.

percentile, wages in California grew twice as fast as they did in Republican-controlled states (12 percent compared to 6 percent).

Figure 3 also shows that, in California, wages at the 50th to 90th percentile grew by 3 to 6 percent, a lower growth rate than for low-wage workers and similar to the growth rate at all percentiles in Republican states, suggesting that the higher growth rates for low-wage workers in California are due to the state's minimum wage increases.

Wage Inequality

To the extent that the minimum wage increases drove an increase in wage growth for low-wage workers, they along with other policies in the CPM like tax increases on high earners may have also helped mitigate the growth of wage inequality in California. Proponents of the CPM also argue that the policies will have this effect.

Wage inequality is the difference in hourly earnings between those at the top of the wage distribution and those at the bottom. A common way to measure wage inequality is the ratio of the 90th percentile wage to the 10th percentile wage.[21]

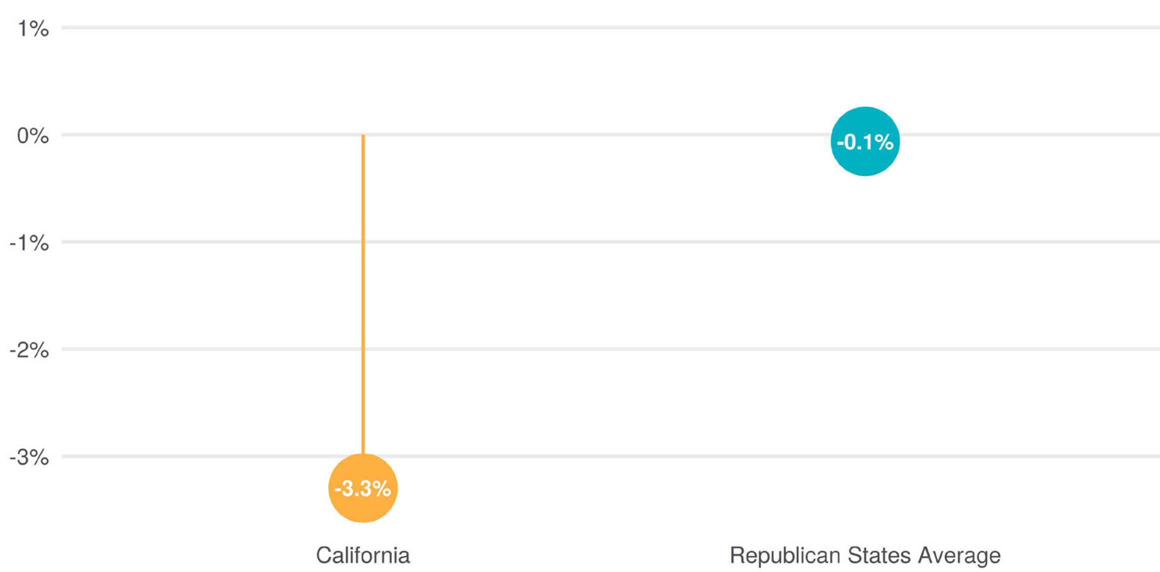
Figure 4 shows that the wage ratio declined by 3.3 percentage points in California from 2011 to 2016, but hardly changed at all in Republican-controlled states (a 0.1 percentage point average decline). This suggests that the CPM was able to reduce wage inequality to some extent.

Health Insurance

The CPM includes the policies associated with California's full-bore implementation of the Affordable Care Act (ACA). In 2014, California elected to opt in to the ACA's Medicaid expansion. The state raised the eligibility limit for Medi-Cal (California's version of the Medicaid public health insurance program) to 138 percent of the Federal Poverty Level, thereby extending health insurance coverage to childless adults and many other low-income residents. Unlike most states, California also opted

Figure 4: Change in 90th to 10th Percentile Wage Ratio from 2011 to 2016

California vs. Average of Republican-Controlled States



Source: Author's analysis of Current Population Survey Outgoing Rotation Group data.

to run its own health insurance exchange, called Covered California, which like the federal exchange became operational in 2014. As discussed earlier, Covered California pursued an active purchasing strategy with the goal of maximally expanding coverage by simplifying and facilitating the process for Californians to choose between high-quality health insurance plans.[22]

Prior to the ACA implementation, California's insured rate was lower than that of the Republican-controlled states. As seen in Figure 5, in 2013 California's insured rate was 80.6 percent compared to an average of 83.4 percent in Republican states. In 2014, the first year of ACA implementation, California caught up to the Republican states; just one year later California surpassed the Republican-controlled states, with a 2015 coverage rate of 90.3 percent compared to the Republican states' 88 percent average. According to data from the American Community Survey, California was the state with the largest decline in its uninsured rate from 2013 to 2015.[23]

Climate Policy

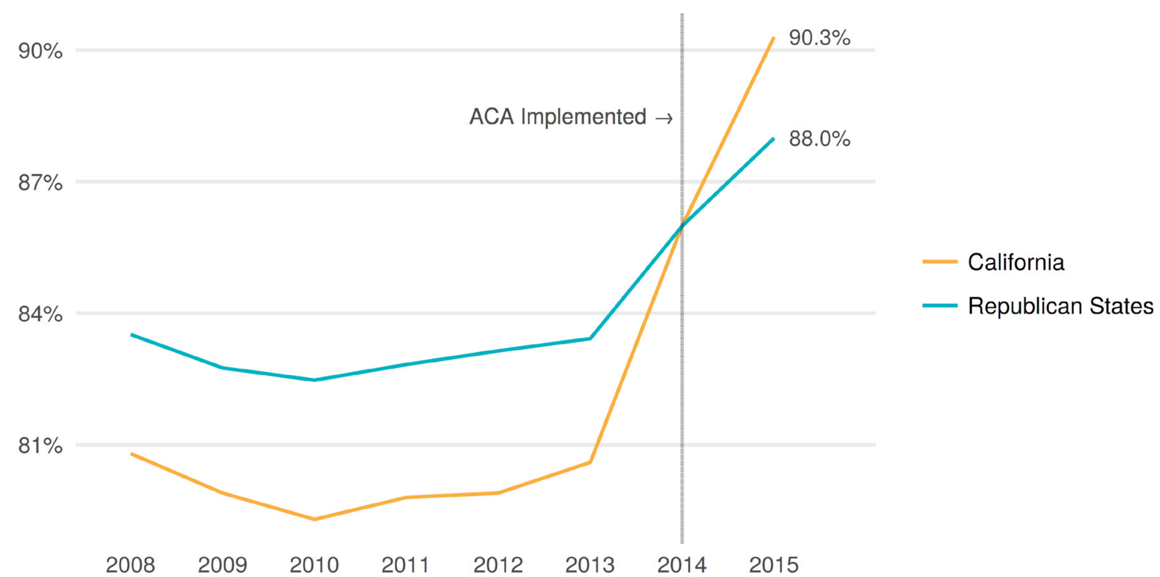
California set a goal of reducing its carbon emissions to 1990 levels by 2020, and in 2016 expanded that goal to a targeted reduction 40 percent below 1990 levels by 2030. While it is beyond the scope of this report to analyze the efficacy of California's climate policy, researchers from the Lawrence Berkeley National Laboratory, Environmental Defense Fund, and Next 10 have studied the state's emissions reductions efforts, and have concluded that California is on pace to meet its 2020 carbon reduction goals.[24]

Are Republican States the Correct Comparison Group?

The analyses discussed above compare California to an average of Republican-controlled states on various economic and social indicators in order to evaluate the effects of the CPM. But this may not be an appropriate comparison. The Republican states may differ from California in ways that bring bias into

Figure 5: Share of Non-Elderly Residents with Health Insurance from 2008 to 2015

California vs. Average of Republican-Controlled States



Source: Author's analysis of American Community Survey data.

the comparison. For example, the industries driving growth in California may be different than those in the Republican states, or California might have been in a different point in its economic cycle than the Republican states. In other words, California's stronger economic performance, as detailed above, could stem from the particular characteristics of California's economy, not the effects of the policies in the CPM.

The ideal method to measure the effects of the CPM on California's economic performance would be to compare the state to an alternate version of California that did not implement the CPM. Since the only difference between these two Californias would be the presence of the CPM, the comparison would show the true effect of the CPM on the state. While it isn't possible to observe a California in which the CPM path was not taken, it is possible to create an estimate of this hypothetical California. This report therefore next employs the synthetic control statistical method to estimate how California would have performed had it not implemented the CPM.

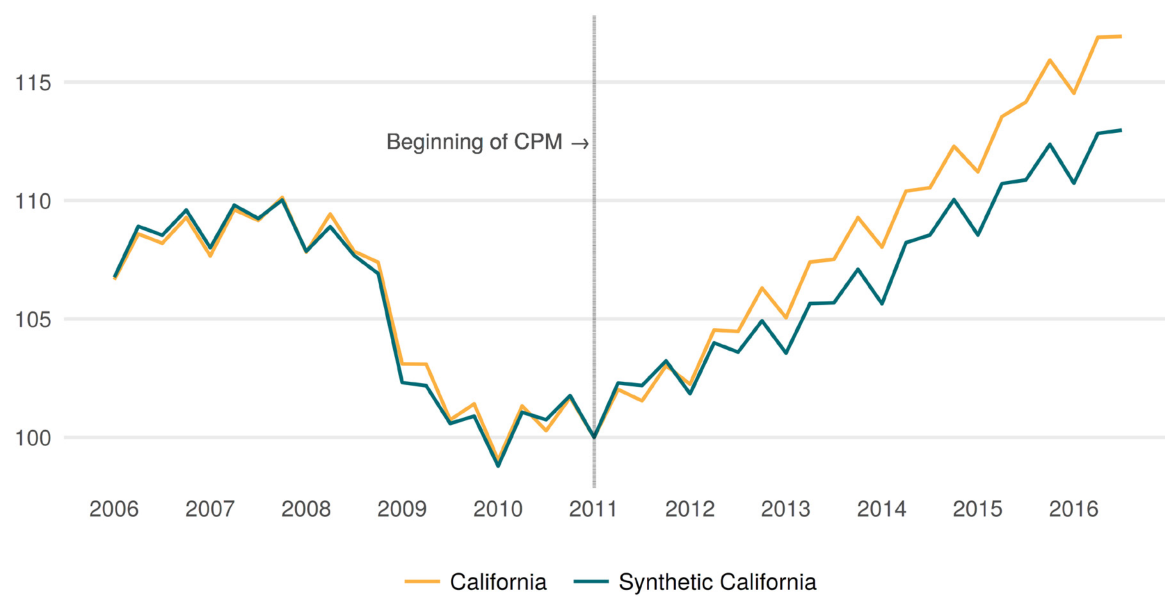
What is the Synthetic Control Method?

The synthetic control method is an increasingly popular technique used in policy evaluation.[25] In this report, the method works by finding a combination of Republican-led states that can appropriately represent California without the CPM.

The prior analysis compared California to a simple average of Republican states, with each of these states carrying the same weight. The synthetic control method allows Republican-led states to contribute more or less weight to the average, or to be excluded from the average altogether, and finds the combination of Republican-led states and their weights that most closely matches California before the start of the CPM in 2011. The assumption is that the combination and weights of Republican states that match California before 2011 would also closely match the trends in the state after 2011 had California not implemented the CPM. The estimate for California's post-2011 economic performance determined through the synthetic control method

Figure 6: Total Employment Growth Relative to 2011

Total Employment Indexed to 100 in 2011



Source: Author's analysis of Quarterly Census of Employment and Wages data.

can then be used to represent California's economic performance without the CPM. Comparing this to California's actual economic performance after 2011 will provide an apples to apples comparison, and assuming the synthetic estimate is an accurate depiction of California without the CPM, the difference between the two can be attributed to the effect of the CPM.[26]

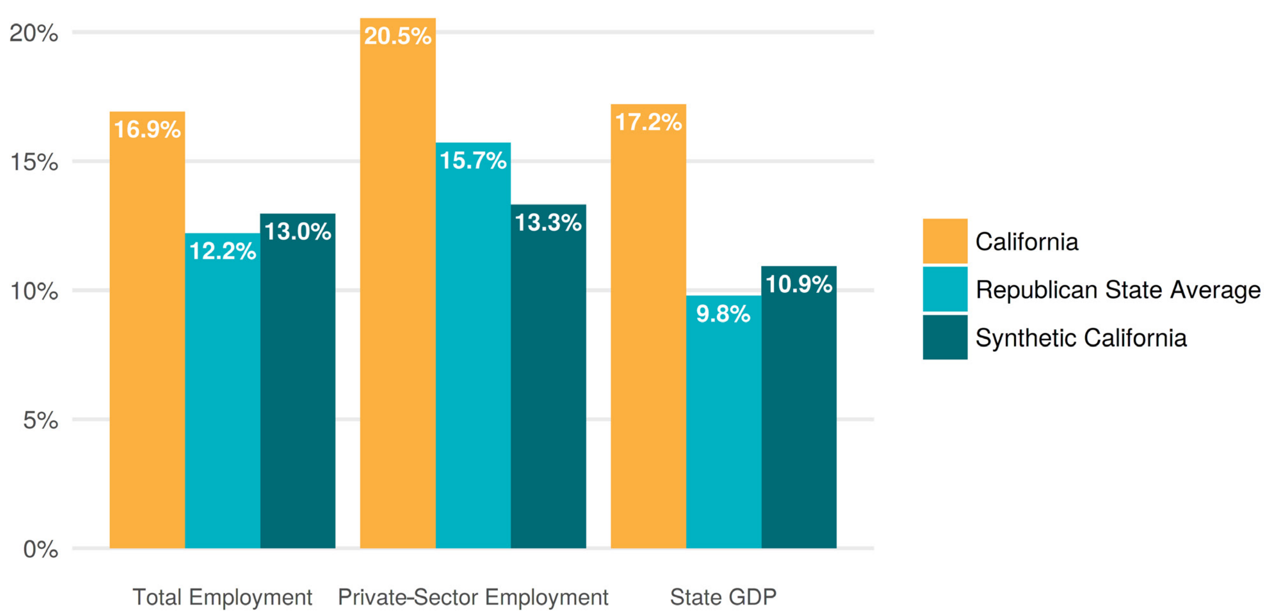
Figure 6 (page 10) illustrates how the synthetic control method works. The orange line shows California's actual total employment relative to 2011. The blue line, labeled Synthetic California, shows the synthetic control method's estimate of California's total employment relative to 2011 had it not implemented the CPM. Prior to 2011, the lines mostly overlap—as they should—because the synthetic control method found the combination and weights of Republican-led states that most closely match California before the CPM. After 2011, when the CPM begins, the lines begin to diverge. Total employment in California is higher than the estimate for Synthetic California, indicating that total employment in California is higher than it would have been had the state not implemented the CPM.

Employment and Economic Growth

Figure 7 adds the results of the synthetic control analysis to the findings already reported in Figure 2 on employment and GDP growth from 2011 to 2016. The synthetic control analysis supports the earlier finding that California had greater employment and GDP growth after implementing the CPM. California's actual total employment growth from 2011 to 2016 of 16.9 percent is greater than the estimated growth in Synthetic California of 13 percent. Private-sector employment grew by 20.5 percent in California, compared to 13.3 percent for Synthetic California. California's GDP growth, 17.2 percent, was greater than Synthetic California's 10.9 percent.

Figure 7: Employment and GDP Growth from 2011 to 2016

California vs. Average of Republican-Controlled States and Synthetic California



Source: Author's analysis of Quarterly Census of Employment and Wages and Bureau of Economic Analysis data.

Wage Growth for Low-Wage Workers

The synthetic control analysis also corroborates the earlier findings on the efficacy of minimum wage increases for promoting growth at the lower end of the wage spectrum, as illustrated in Figure 3. California's 2014 and 2016 minimum wage increases would be expected to raise pay for workers up to the 20th percentile in the wage distribution, so the synthetic control analysis focuses on wage growth at the 5th, 10th, 15th, and 20th wage percentiles. As seen in Figure 8, wage growth in California from 2014 to 2016 exceeded wage growth in Synthetic California at these lower percentiles. California's 5th percentile wage grew by 16.3 percent, while the estimate for 5th percentile wage growth in Synthetic California was only 6.3 percent. At the 20th percentile, wages grew by 11.5 percent from 2014 to 2016, but the estimate for Synthetic California was a much smaller growth rate of 6.8 percent.

Wage Inequality

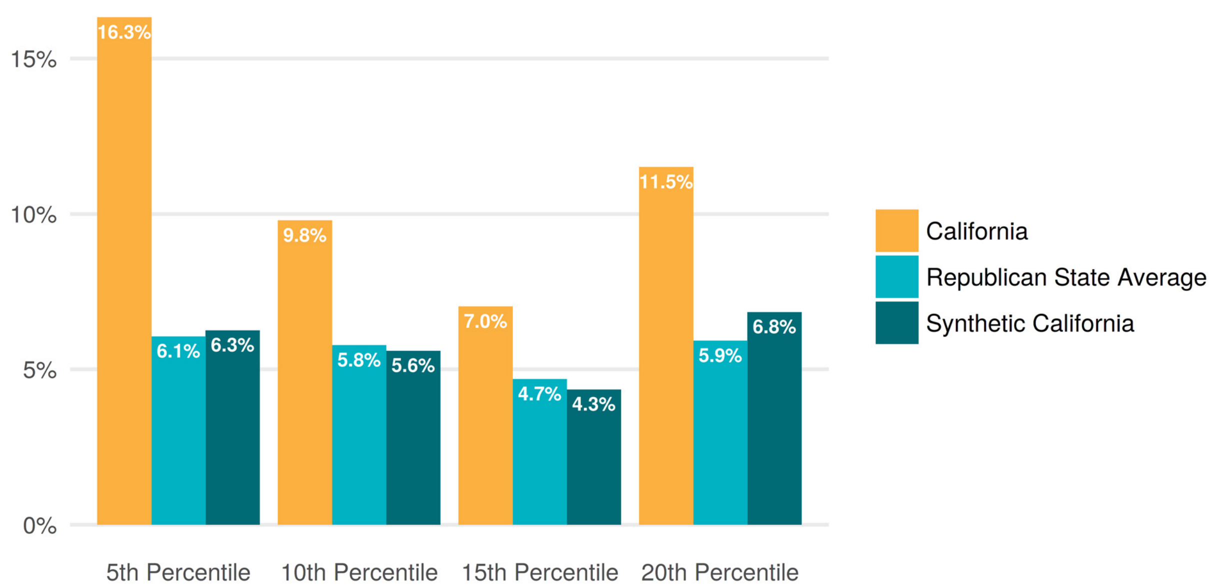
The synthetic control analysis also confirms California's progress in reducing wage inequality. As Figure 9 (page 13) shows, wage inequality as measured by the ratio of the 90th percentile wage to the 10th percentile wage fell by 3.3 percent from 2011 to 2016. On the other hand, the synthetic control analysis shows that without the CPM, wage inequality would actually have risen by 3.6 percent in California over the same period.

Health Insurance

The synthetic control analysis also supports the earlier finding that California's implementation of the ACA boosted the share of its residents with health insurance. As Figure 10 (page 13) shows, by 2015 California had a higher share of residents under age 65 with health insurance (90.3 percent) than the estimate for Synthetic California (87.6 percent).

Figure 8: Wage Growth from 2014 to 2016

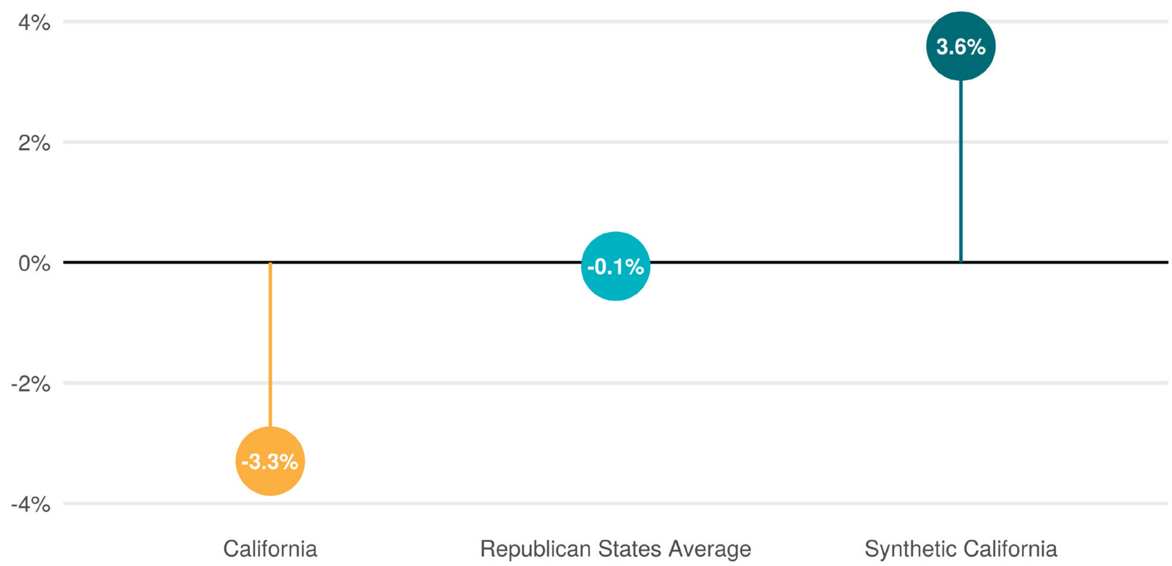
California vs. Average of Republican-Controlled States and Synthetic California



Source: Author's analysis of Current Population Survey Outgoing Rotation Group data.

Figure 9: Change in 90th to 10th Percentile Wage Ratio from 2011 to 2016

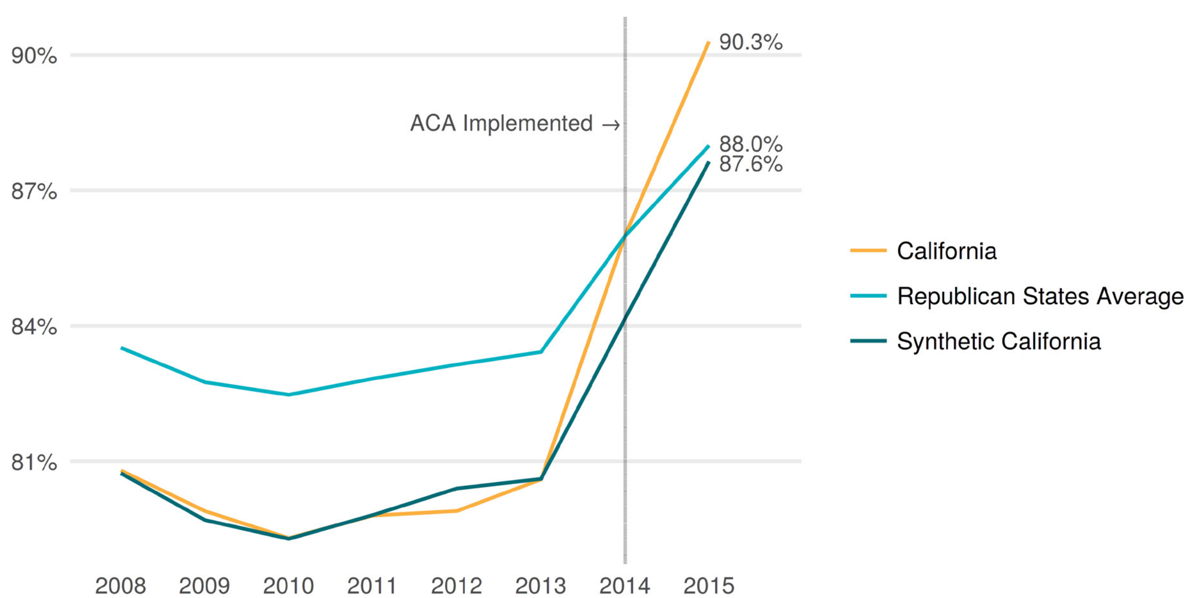
California vs. Average of Republican-Controlled States and Synthetic California



Source: Author's analysis of Current Population Survey Outgoing Rotation Group data.

Figure 10: Share of Non-Elderly Residents with Health Insurance

California vs. Average of Republican-Controlled States and Synthetic California



Source: Author's analysis of Current Population Survey data.

Caveats to the Synthetic Control Analysis

The synthetic control analysis above supports the original findings that the CPM did not lead to slower employment or economic growth, and was successful in raising wages for low-wage workers, increasing the number of California residents with health insurance, and reducing wage inequality. There are, however, two important caveats to these conclusions.

Bias Caused by California's Technology Boom

It is possible that due to events or other changes after 2011, Synthetic California fails to produce an accurate picture of California without the CPM. Specifically, California's technology boom took off in the same period as when the CPM was implemented, and this simultaneity could result in the analysis incorrectly attributing effects caused by the technology boom to the CPM. Several additional analyses were therefore conducted to test for this possibility, with results suggesting that the synthetic control model was able to account for California's technology boom.

The first test for bias due to the tech boom was conducted on the finding that GDP growth in California was greater than that in Synthetic California. After removing the technology industry from state GDP, California still showed stronger GDP growth than Synthetic California, though the gap was smaller. This allows us to conclude that California's more rapid economic growth cannot simply be ascribed to the tech boom seen in California but not other parts of the country. This result, however, does not take into account the effect of any spillovers from the technology industry to other parts of California's economy.[27]

The second test assessed whether the finding of increased wage growth for low-wage workers was influenced by a general upward trend in California wages potentially caused by the technology boom. To do this we looked at workers earning wages outside the range that should be affected by the minimum wage increases. In the absence of bias due to the tech industry, wage growth rates should be similar for these workers in California and Synthetic California, which in fact was the finding. Highly-paid workers at the 90th percentile of the wage distribution had similar wage growth rates in California and Synthetic California. We also measured wage growth for relatively lower paid workers in high-wage industries. While these workers earn less than others in their highly-paid industries, their wages are still high enough to be outside the range expected to be affected by the minimum wage increases. Again, these workers had similar wage growth rates in California and in Synthetic California. Together, these analyses suggest that the synthetic control analysis was not biased by an overall upward trend in California wages due to the tech boom.[28]

Limitations in Proving Statistical Significance

As with most statistical analyses, it is customary in synthetic control analyses to test the measured effects for statistical significance to be sure the results are not artifacts of random noise.[29] Synthetic control analyses vary in their ability to establish effects as statistically significant, and in this analysis that ability partially depends on the size of the group of states used to create Synthetic California. The fact that there were only 19 Republican-controlled states that could be used to create Synthetic California hindered the ability to establish statistical significance in this study. Therefore, these results should not be considered conclusive, and further research is needed to confirm the findings. Nevertheless, all of the analyses in this report point in the same direction: no effect of the CPM on employment and economic growth, along with successful implementation of its policies. This consistency in findings provides some additional confidence in the broader takeaway: that the CPM appears to have achieved its goals without hurting California's economy.

Remaining Policy Challenges

There is room to build on the progress of the California Policy Model, and a primary concern is enforcement of new employment laws. Under the CPM workers gained additional rights and protections, but without rigorous enforcement it is far from certain that workers will actually benefit from these policies. For example, there is rampant wage theft in the state; at least 11 percent of California workers experienced minimum wage violations in 2011, a number that could be even higher due to under-reporting.[30] Wage theft costs California workers about $2 billion per year.[31] The CPM included policies aimed at aiding enforcement of labor standards, but those tools still need to be used in order to protect workers. California's Labor Commissioner, Julie Su, has refocused her agency on more in-depth enforcement investigations and on aggressively pursuing back wages for workers; continued investment in these strategies will be critical for ensuring the goals of stronger labor standards are realized.[32]

Housing is another major issue that has been inadequately addressed in the CPM through 2016. Housing is very expensive in California, with average home prices two and a half times the national average and average rents 50 percent higher than national averages.[33] A serious issue in its own right, the housing crisis also proves to be a negative force in other areas addressed by the CPM. Expensive housing eats up a significant portion of the pay increases included in the CPM. California commuters also travel 10 percent further to their jobs than the national average—moving farther and farther away from urban centers in search of an affordable home—which results in increased automobile emissions working directly against the state's climate goals.[34] The housing crisis makes it hard for California businesses to attract employees, limiting the growth of the state's economy and thereby making housing an across-the-political-spectrum concern.[35] California has recently made some progress in this area, passing 15 laws in 2017 that address the housing crisis.[36] It is too early to predict how that legislation will affect housing in California, but it is clear that the state must continue to focus on this important issue.

It is also important to note that while this report only covers policy actions through 2016, California continues to add to the CPM. In addition to the legislation focused on the housing crisis, California also passed new legislation in 2017 that builds on its progress expanding workers' rights, protecting the environment, and investing in the state's transportation infrastructure.

Conclusion

Beginning in 2011, California implemented an ambitious policy agenda aimed at strengthening workers' rights, improving the environment, enhancing its safety net, raising tax revenue, and fixing the state's infrastructure. This policy agenda does not appear to have reduced job growth or slowed the economy, and the policies appear to have met their intended goals: raising the wages of low-wage workers, increasing the rate of health insurance coverage, decreasing wage inequality, and helping the state hit its 2020 climate change goals. There is still important work to be done, including more rigorous enforcement of these new laws and contending with the state's longstanding and worsening housing crisis. More research is needed to solidify the findings of this study, but its results indicate that the state has been effective in pursuing policy goals under the CPM without causing negative side effects. This provides good reason to believe that government action can also have a positive effect on the remaining problems.

Appendix

Workers' Rights

Increasing Pay

2016	AB 1066	Overtime Pay for Farmworkers
2016	SB 1015	Domestic Worker Overtime Made Permanent
2016	SB 3	Minimum Wage Increase to $15
2015	AB 852	Prevailing Wage for Hospital Construction with Tax-Exempt Bonds
2015	SB 588	Expansion of Liability for Wage Theft
2013	AB 10	Minimum Wage Increase to $9 and $10
2013	AB 241	Overtime Pay for Domestic Workers
2011	AB 240	Easing Collections for Wage Violations
2011	AB 469	Protections Against Wage Theft

Paid Sick Leave

2014	AB 1522	Paid Sick Leave

Retirement Savings for All Workers

2016	SB 1234	Secure Choice Retirement Savings Program

Worker Protections

2016	AB 1669	Protections for Waste Management Workers
2016	AB 1690 / SB 1379	Protections for Part-Time Faculty
2016	AB 1926 / AB 2288	Protections for Workers in Apprenticeship Programs
2016	AB 1978	Protections for Janitorial Workers
2016	SB 1167	Protections for Workers in Hot Workplaces
2015	AB 359	Protections for Grocery Workers
2014	AB 2751	Protections for Workers Adjusting Immigration Status
2013	AB 218	Ban the Box for Public Sector Jobs
2013	AB 263 / AB 524 / SB 666	Protects Workers From Immigration-Status Based Retaliation
2012	AB 1794	Enforcement of Workers' Compensation Underreporting
2012	SB 863	Workers' Compensation Reform
2011	AB 22	Restrictions on Credit Report Usage in Employment Decisions
2011	SB 126	Protections for Farmworkers

Employer Responsibility

2015	AB 1509	Liability for Retaliation by Subcontractors
2014	AB 1792	Report Companies with High Worker Usage of Medi-Cal
2014	AB 1897	Expansion of Liability for Labor Law Violations
2014	AB 2617	Prohibition Against Arbitration for Civil Rights Violations
2011	AB 243	Name Grower on Farmworker Paystub
2011	SB 459	Enforcement of Worker Misclassification

Environment

Climate Change

2016	SB 32	Cap and Trade Limits for 2030
2015	SB 350	Increase Use of Renewable Energy and Energy Savings
2013		Cap and Trade Program Begins
2012	AB 1532	Organize Usage of Cap and Trade Revenue
2012	SB 535	Spend Climate Change Funds in Disadvantaged Communities
2012	AB 32	Climate Change Regulations Go Into Effect

Environmental Protection

2016	SB 839	Toxic Waste Permitting Flexibility
2014	SB 270	Plastic Bag Ban

Safety Net

Healthcare

2015	SB 546	Health Insurance Rate Review
2015	SB 75	Medi-Cal for Undocumented Children
2014		ACA Implementation

Public Assistance

2016		Elimination of TANF Maximum Family Grant
2015	SB 80	State EITC

Taxation

2016	Proposition 55	Extend Income Taxes Increases to Fund Education
2016	Proposition 56	Increase Cigarette Tax
2012	Proposition 30	Increase Sales Tax and Taxes on High Incomes to Fund Education
2012	Proposition 39	Income Tax Increase for Multi-State Businesses

Infrastructure and Housing

Infrastructure

2014	Proposition 1	Water bond
2014		Budget appropriation for high-speed rail

Housing

2016	SB 1150	Extends Homeowner's Bill of Rights to Survivors
2012	AB 278 / SB 900	Homeowner's Bill of Rights

References

Abadie, Alberto, Alexis Diamond, and Jens Hainmueller. 2010. "Synthetic Control Methods for Comparative Case Studies: Estimating the Effect of California's Tobacco Control Program." https://economics.mit.edu/files/11859

Allegretto, Sylvia, Michael Reich, and Rachel West. 2014. "Ten Dollars or Thirteen Dollars? Comparing the Effects of State Minimum Wage Increases in California." UC Berkeley Center on Wage and Employment Dynamics. http://irle.berkeley.edu/files/2014/Ten-Dollars-or-Thirteen-Dollars.pdf

California Legislative Analyst's Office. 2012a. "Proposition 30. Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment." http://www.lao.ca.gov/ballot/2012/30_11_2012.aspx

California Franchise Tax Board. 2017. "California Earned Income Tax Credit." https://www.ftb.ca.gov/individuals/faq/net/900.shtml

California Legislative Analyst's Office. 2012b. "Proposition 39. Tax Treatment for Multistate Businesses. Clean Energy and Energy Efficiency Funding. Initiative Statue." http://www.lao.ca.gov/ballot/2012/39_11_2012.aspx

California Legislative Analyst's Office. 2015. "California's High Housing Costs: Causes and Consequences." http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf

California Legislative Analyst's Office. 2016. "Proposition 55. Tax Extension to Fund Education and Healthcare. Initiative Constitutional Amendment." http://www.lao.ca.gov/BallotAnalysis/Proposition?number=55&year=2016

Cooper, David and Teresa Kroeger. 2017. "Employers steal billions from workers' paychecks each year." Economic Policy Institute. http://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year-survey-data-show-millions-of-workers-are-paid-less-than-the-minimum-wage-at-significant-cost-to-taxpayers-and-state-economies

Dickinson, Tim. 2013. "Jerry Brown's Tough-Love California Miracle." Rolling Stone. http://www.rollingstone.com/politics/news/jerry-browns-tough-love-miracle-20130829

Dietz, Miranda, Laurel Lucia, Gerald Kominski, and Ken Jacobs. 2016. "ACA Repeal in California: Who Stands to Lose?" UCLA Center for Health Policy Research and UC Berkeley Labor Center. http://laborcenter.berkeley.edu/pdf/2016/ACA-Repeal-in-California.pdf

Dillon, Liam. 2016. "Proposition 56, a $2-per-pack boost to tobacco taxes, is approved by voters." Los Angeles Times. http://www.latimes.com/nation/politics/trailguide/la-na-election-day-2016-proposition-56-2-per-pack-cigarette-1478276231-htmlstory.html

Dube, Arin and Ben Zipperer. 2015. "Pooling Multiple Case Studies Using Synthetic Controls: An Application to Minimum Wage Policies." http://ftp.iza.org/dp8944.pdf

Eastern Research Group. 2014. "The Social And Economic Effects Of Wage Violations: Estimates for California and New York." https://www.dol.gov/asp/evaluation/completed-studies/WageViolationsReportDecember2014.pdf

Fracassa, Dominic. 2017. "Wage theft costs low-paid California workers $2 billion per year." San Francisco Chronicle. http://www.sfchronicle.com/business/article/Wage-theft-costs-low-paid-California-workers-2-11177052.php

Greenblatt, Jeffery. 2015. "Modeling California policy impacts on greenhouse gas emissions." Lawrence Berkeley National Laboratory. http://www.sciencedirect.com/science/article/pii/S0301421514006892

Hsia-Kiung, Katherine and Erica Morehouse. 2015. "Carbon Market California: A Comprehensive Analysis of the Golden State's Cap-and-Trade Program." Environmental Defense Fund. https://www.edf.org/sites/default/files/content/carbon-market-california-year_two.pdf

Hart, Angela. 2017. “Jerry Brown signs new California affordable housing laws.” The Sacramento Bee. http://www.sacbee.com/news/politics-government/capitol-alert/article176152771.html

Investor’s Business Daily. 2017. “Taxifornia Does It Again.” http://www.investors.com/politics/editorials/taxifornia-does-it-again/

Jacobs, Ken and Ian Perry. 2016. “$15 Minimum Wage in California: Who Would be Affected by the Proposal to Raise California’s Minimum Wage?” UC Berkeley Labor Center. http://laborcenter.berkeley.edu/15-minimum-wage-in-california/

Koonse, Tia, Miranda Dietz, and Annette Bernhardt. 2015. “Enforcing City Minimum Wage Laws in California: Best Practices and City-State Partnerships.” UC Berkeley Center for Labor Research and Education. http://laborcenter.berkeley.edu/enforcing-city-minimum-wage-laws-in-california-best-practices-and-city-state-partnerships/

Labonte, Marc. 2010. “The Size and Role of Government: Economic Issues.” Congressional Research Service. https://fas.org/sgp/crs/misc/RL32162.pdf

Lucia, Laurel, Xiao Chen, Ken Jacobs, and Nadereh Pourat. 2016. “Health Insurance and Demographics of California Immigrants Eligible for Deferred Action.” UC Berkeley Labor Center. http://laborcenter.berkeley.edu/health-daca-dapa

Megerian, Chris. 2016. “California Legislature approves $171 billion state budget.” Los Angeles Times. http://www.latimes.com/politics/la-pol-sac-california-pass-budget-20160615-snap-story.html

Mitchell, Daniel. 2005. “The Impact of Government Spending on Economic Growth.” The Heritage Foundation. http://www.heritage.org/budget-and-spending/report/the-impact-government-spending-economic-growth

Montialoux, Claire and Jesse Rothstein. 2015. “The New California Earned Income Tax Credit.” UC Berkeley Institute for Research on Labor and Employment. http://irle.berkeley.edu/files/2016/IRLE-The-New-California-Earned-Income-Tax-Credit.pdf

Next 10. 2017. “California Green Innovation Index: 9th Edition.” http://next10.org/sites/next10.org/files/2017-CA-Green-Innovation-Index-Final.pdf

OECD. 2015. “In It Together: Why Less Inequality Benefits All.” http://www.oecd-ilibrary.org/docserver/download/8115091e.pdf

Perry, Ian. 2017. “The Effects of California’s Public Policy on Jobs and the Economy Since 2011.” UC Berkeley Institute for Research on Labor and Employment. http://irle.berkeley.edu/the-effects-of-californias-public-policy-on-jobs-and-the-economy-since-2011

Robbins, Michael, Jessica Saunders, and Beau Kilmer. 2015. “A Framework for Synthetic Control Methods With High-Dimensional, Micro-Level Data.” RAND. https://www.rand.org/pubs/external_publications/EP67206.html

Robinson, James, Peter Lee, and Zachary Goldman. 2015. “Whither Health Insurance Exchanges Under The Affordable Care Act? Active Purchasing Versus Passive Marketplaces.” Health Affairs Blog. http://healthaffairs.org/blog/2015/10/02/whither-health-insurance-exchanges-under-the-affordable-care-act-active-purchasing-versus-passive-marketplaces/

Sen, Conor. 2017. “The Numbers Show Silicon Valley Is Already Fading.” Bloomberg View. https://www.bloomberg.com/view/articles/2017-09-19/the-numbers-show-silicon-valley-is-already-fading

Shapiro, Issac and John Irons. 2011. “Regulation, employment, and the economy: Fears of job loss are overblown.” EPI. http://www.epi.org/files/2011/BriefingPaper305.pdf

UC Berkeley Labor Center. 2017. “Inventory of US City and County Minimum Wage Ordinances.” http://laborcenter.berkeley.edu/minimum-wage-living-wage-resources/inventory-of-us-city-and-county-minimum-wage-ordinances/

York, Anthony. 2015. “An idealist’s heart: Brown on poverty, politics and the budget.” Capitol Weekly. http://capitolweekly.net/idealists-heart-brown-poverty-politics-budget/

Endnotes

[1] See Shapiro and Irons (2011) and Labonte (2010).

[2] See Mitchell (2005).

[3] See Dickinson (2013).

[4] See Dickinson (2013).

[5] See Investor's Business Daily (2017).

[6] See Allegretto, Reich, and West (2014).

[7] See UC Berkeley Labor Center (2017).

[8] See Jacobs and Perry (2016).

[9] See Dietz, Lucia, Kominski, and Jacobs (2016).

[10] See Robinson, Lee, and Goldman (2015).

[11] See Dietz, Lucia, Kominski, and Jacobs (2016).

[12] See Lucia, Chen, Jacobs, and Pourat (2016).

[13] See State of California Franchise Tax Board (2017).

[14] See Montialoux and Rothstein (2015).

[15] See Megerian (2016).

[16] See California Legislative Analyst's Office (2012a).

[17] See California Legislative Analyst's Office (2012b).

[18] See California Legislative Analyst's Office (2016).

[19] See Dillon (2016).

[20] During this period, several California cities passed local minimum wage increases that set their minimum wage higher than the state's.

[21] See OECD (2015).

[22] Only five Republican-controlled states participated in the Medicaid expansion, and only two did so starting at the beginning of 2014 like California.

[23] Author's analysis of American Community Survey data.

[24] See Greenblatt (2015), Hsia-Kiung and Morehouse (2015), and Next 10 (2017).

[25] See Robbins, Saunders, and Kilmer (2015).

[26] Additional detail on the synthetic control method can be found in the companion working paper (Perry 2017).

[27] Additional detail on these analyses can be found in the companion working paper (Perry 2017).

[28] Additional detail on these analyses can be found in the companion working paper (Perry 2017).

[29] See Abadie, Diamond, and Hainmueller (2010) and Dube and Zipperer (2015).

[30] See Eastern Research Group (2014) and Koonse, Dietz, and Bernhardt (2015).

[31] See Cooper and Kroeger (2017).

[32] See Fracassa (2017).

[33] See LAO (2015).

[34] See LAO (2015).

[35] See Sen (2017).

[36] See Hart (2017).

Institute for Research on Labor and Employment
University of California, Berkeley
2521 Channing Way
Berkeley, CA 94720-5555
(510) 642-0323
laborcenter.berkeley.edu

UC BERKELEY LABOR CENTER

UC Berkeley Center for Labor Research and Education

The Center for Labor Research and Education (Labor Center) is a public service project of the UC Berkeley Institute for Research on Labor and Employment that links academic resources with working people. Since 1964, the Labor Center has produced research, trainings, and curricula that deepen understanding of employment conditions and develop diverse new generations of leaders.

About the author

Ian Perry, MPP, is a research and policy associate at the UC Berkeley Center for Labor Research and Education.

Acknowledgments

I would like to thank Ken Jacobs, Annette Bernhardt, and Jenifer MacGillvary for their assistance with this report. I would also like to thank Sylvia Allegretto, Michael Reich, Sara Hinkley, Hilary Hoynes, and Alex Gelber for their valuable comments. Any errors in the report are mine alone.

Suggested citation

Perry, Ian. *California is Working: The Effects of California's Public Policy on Jobs and the Economy Since 2011*. Center for Labor Research and Education, University of California, Berkeley. November 2017. http://laborcenter.berkeley.edu/california-is-working/.