

**Testimony at Oversight Hearing on “Workforce Development Data
Collection”**
**California Senate Select Committee on “Career, Technology, and the
New Economy” (Chair: Senator Richard D. Roth)**
April 29th 2024

Jesse Rothstein¹
Professor of Economics and Public Policy and
Director of California Policy Lab
University of California Berkeley

Good morning. Thank you, Senator Roth and members of the committee, for the invitation to testify today. My name is Jesse Rothstein. I am the Carmel P. Friesen Professor of Economics and Public Policy at UC Berkeley, where I am also the faculty director of the California Policy Lab. I have previously served as a Senior Economist for the President’s Council of Economic Advisers and as the Chief Economist at the U.S. Department of Labor, among other roles. I have also served in a range of advisory and consultative roles, advising public agencies in California and Washington about the collection, analysis, and interpretation of labor market data.

Let me start with the bottom line.

Enhancing the Unemployment Insurance Base-Wage file by collecting additional information on hours worked, occupation, and the location of work, as planned under SB755, has clear benefits for California workers,

¹ rothstein@berkeley.edu

employers, and the state as a whole. It would greatly expand our understanding of the California labor market and help policymakers navigate the state through better workforce, labor market, social safety net, education, and other policies.

For decades, the Base-Wage file has played an essential role in helping policymakers assess how well our taxpayer-funded workforce development programs are serving working Californians. By providing timely information about quarterly employment and earnings for all workers in the state, the Base-Wage file has served as the backbone of workforce training program evaluation both in California and nationally. Data this comprehensive and this foundational to employment policy would be nearly impossible to obtain from other sources.

However, our ability to use the Base-Wage file to support workforce training programs is limited by the coarseness of the information it contains. We can measure whether individuals are employed and how much they earn in a quarter, but there are other important metrics, such as whether a worker is working full-time, whether she has found a job in the occupation for which she is trained, and whether she is earning a living wage, that we cannot measure in current data.

The California Policy Lab worked with the California Workforce Development Board in 2022 to study whether participation in the state's workforce training programs led to better employment and earnings outcomes. This was made possible by the integration of training program data with the Base Wage file under the CAAL-Skills initiative, developed

under Assembly Bills 2148 and 1336. We found that many of the training programs indeed raised participants employment and earnings by a substantial amount, though the impacts varied importantly across programs. Unfortunately, with the limited outcomes we had available, we couldn't do much to understand why. We would have liked to measure whether workers were full- or part-time, whether they were working in the occupations for which they were trained, and whether they were earning living wages. With the proposed expansion of the Base Wage file to include occupation, hours, and location information, we would be able to do all of these. This would generate the kind of evidence that we need to better align California's workforce training programs with the needs of our economy.

But the potential benefits of an enhanced Base Wage file go well beyond workforce programs. Let me talk about a few more.

First, the state is now making a large investment in the Cradle-to-Career data system, which will connect information on K-12 and postsecondary education with the Base Wage file. This will have many benefits for evidence-based planning and decision-making. As one example, it will enable colleges to measure the post-graduation employment and earnings of their students, and thus to assess which programs are delivering the instruction students need to achieve economic success. But this work is badly hampered by the inability to tell whether low earnings reflect part-time work, partial-quarter work, or low hourly wages. An enhanced Base Wage file would permit such a distinction. It would also help us understand

whether students are working in their field of study, another key metric for student success.

Second, the new data would permit the provision of much better labor market information for employers, workers, and planners. As a result of the COVID-19 pandemic and ongoing technological change, we are seeing structural shifts in the state's economy, with sometimes severe worker shortages in critical fields. Imagine being able to identify hot spots for high-wage job opportunities in a particular occupation - we could help direct job seekers with the appropriate skills, helping businesses fill their critical jobs.

Third, the new data would be useful for identifying violations of minimum wage, overtime, and worker classification rules, and thus for targeting enforcement and compliance efforts. When some employers ignore the rules, they can obtain an undeserved advantage over other employers who are trying to compete fairly. Improving compliance in these areas will mean more workers earning living wages and a more level playing field.

Fourth, data on the location of work will be enormously valuable for local economic development planning, including adjustment assistance. Where is employment growing or shrinking? Where are we going to need to relieve transit bottlenecks or build more housing to enable continued economic growth? Where might we need to provide adjustment assistance for workers facing declining demand for their occupations? Where might there be an opportunity to attract a new employer to take advantage of a skilled labor pool that has been freed up by changes in employment in a previous local tentpole employer?

{light pause}

I have spent over 25 years doing research on public policy and labor economics, and over a decade working with policymakers to make better use of administrative data in service of workers, businesses, and the overall economy. My perspective is supported by decades of research that unambiguously speaks to the value of enhancing Base Wage information with the three data variables I described today. My most recent study uses Census Bureau data with job locations to study mismatches between worker residential locations and locations of jobs - exactly the kind of research that we would be able to do for California with an enhanced Base Wage file.

By improving our research and analytic capabilities, the State can spend taxpayer dollars for workforce training and education more efficiently, reduce costly frictions and extended unemployment driven by changes in local labor markets, better plan for changing labor market needs, and help keep the state's economy running smoothly.

Let me summarize:

Information on workers' hours and occupations will allow us to better understand the effects of changes in the labor market on economic opportunities, and to further improve the effectiveness of our education and training system to prepare California's workforce for the 21st century.

Information on location of work will allow us to better understand who is

being most affected by changes in the labor market and how we might plan for shifting economic conditions.

We know that collecting this information is achievable and cost-effective because other states have done it. Without this information, our education, workforce training, and economic development planners will be half blind, unable to efficiently address newfound challenges and the changing nature of work.

Given the staggering impact of the pandemic on the California labor market – in particular on jobs for lower and middle income workers – and concerns about the future of work, I believe that these enhancements to California's UI base-wage file are important and urgent. SB755 started the ball rolling, and I applaud EDD and the Labor Agency for their work on figuring out how it could be implemented. I hope that I've given you an idea of the benefits that this would bring to the state and its labor market. Thank you.