

M E M O R A N D U M



TO: ABAG Regional Planning Committee
FR: Executive Director
RE: Horizon Perspective Paper #5: Preview - The Future of Jobs

DATE: February 1, 2019

Background

Staff will provide a preview of work completed to date on the fourth Horizon Perspective Paper - *The Future of Jobs*. This paper explores how economic changes over the coming decades, ranging from automation to changes in job locations, might affect the Bay Area. While this month's presentation focuses on the paper's objectives and initial findings, it will also touch on economic strategies that address challenges and seize opportunities in the coming decades. The paper also leverages recent work from the Bay Area Comprehensive Economic Development Strategy (CEDS), which assesses the region's economic strengths and opportunities and informs an action plan for a Bay Area Regional Economic Development District. Staff will return to the Committee with priority strategies in the spring, prior to the paper's release.

Perspective Paper Objectives

The Future of Jobs Perspective Paper is intended to:

- **Review key trends** affecting the regional labor market and job prospects of Bay Area residents, including automation of jobs, the emergence of the "gig economy", and an aging labor force, among others
- **Consider** impacts on both *what* jobs entail as well as *where* they might be performed, including how the region might address long-standing jobs / housing imbalances
- **Identify strategies** on the state, regional, and local levels to address planning challenges associated with a changing regional economy
- **Continue the conversation** related to the emerging economic development role of the regional agencies following the adoption of the CEDS

Work to Date: Key Findings

Staff analysis to date has explored how the Bay Area economy has been changing in recent years, as well as trends expected to be important to the region in the foreseeable future. Overall, the Bay Area's technology sector has been very competitive in the past few decades and has pushed per-capita gross regional product to the top among major metro areas. High-wage job growth has been concentrated in a few key sectors, primarily technology and other STEM occupations. At the same time, occupations with modest skill requirements and lower pay have also seen strong growth, especially in the service sector. Job growth has been strongest in the core counties containing the major cities, and more modest in the North Bay.

Looking forward, the Perspective Paper explores four primary issue areas related to the future of jobs: **technological** changes, **organizational** changes, **compensational** changes, and **locational** changes. Key preliminary findings are summarized below:

- **Technology:** In the past 15 years, growth in regional productivity has outpaced job creation, notwithstanding healthy growth in jobs. Going forward, new technologies from automation to artificial intelligence may *substitute* or *complement* labor - though most likely both. The effects of automation will likely be felt across many industries and occupations, offering increased productivity, but also differential disruption to local labor markets depending on occupational structure.
- **Organization:** In recent decades, there has been a rise in workers employed in alternative work arrangements including more temporary jobs and contract work. This rise independent work, hereunder the “gig economy,” presents new opportunities and challenges. While this shift can bring added flexibility, income, and opportunity for workers, it can also entail less stable wages, spotty benefits, and increased difficulty saving for retirement or a home.
- **Compensation:** During the past few decades, strong economic growth in the region has been accompanied by increasing income inequality as mainly well-educated workers have seen solid wage and non-wage gains. As the world becomes increasingly digital, the education system must evolve to equip tomorrow’s workforce with the requisite skills to navigate it and narrow achievement gaps.
- **Location:** As technology changes the ability to communicate across distance, some jobs may seek to disperse across, or outside the region. Yet, jobs in the most knowledge-intensive sectors requiring development of new designs, programs or campaigns continue to gravitate toward the region’s established centers, with more local-serving jobs heading further afield.

Next Steps

During the next month, staff is conducting key informant interviews with industry leaders and other stakeholders to discuss how they see the economy changing and the effects it will have on the labor market. Staff will use that to develop a list of strategies to foster economic resilience in the face of the identified changes and the challenges they bring. Feedback from MTC/ABAG committees, as well as working groups such as the RAWG, will shape *The Future of Jobs* Perspective Paper before its release in April 2018.

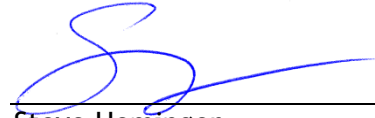
Economic development strategies developed in this Perspective Paper will ultimately be tested against the three futures (“what if?” scenarios) for Horizon to understand how they could help improve outcomes and align with the Guiding Principles. Furthermore, the Perspective Paper will help inform preparation of the regional forecast for Plan Bay Area 2050, and it will play a role in shaping the Economic Development element of the Plan.

Requested Feedback

Staff requests feedback from the Committee on the following questions:

- What are your key concerns related to the future of the Bay Area economy?
- How can we leverage technology to foster a productive, yet inclusive, economy?
- How can we support new organizational forms and the flexibility they bring, while ensuring economic benefits for workers at all income levels?
- What policies and strategies should state, regional, and local policymakers consider to support labor markets of today and tomorrow?

- How can we enhance the regional growth framework (*Priority Development Areas* as well as the potential *Priority Production Areas*) to better consider employment location?



Steve Heminger

Attachment

- Attachment A: *Future of Jobs* Perspective Paper (PowerPoint Presentation)

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