LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency addresses issues relating to California workers and their employers. The Agency is responsible for labor law enforcement, workforce development, and benefit payment and adjudication. The Agency works to combat the underground economy and to help businesses and workers in California.

Since 2019, the Budget has included targeted investments to strengthen the states' workforce training programs and health care and safety net services. Increases of $35 million in pre-apprenticeship and apprentice training, $36 million in prison to employment training, and over $60 million in Mental Health workforce investments continue to provide the needed resources for the state to meet its ever-changing workforce needs and supplying a pathway for Californians to improve their upward economic mobility.

In light of the unprecedented increase in unemployment due to the COVID-19 Recession, the state must continue to show leadership in addressing workforce health and safety concerns of all Californians as well as support and promote high-quality jobs so workers, families, and communities can secure and maintain economic security. The May Revision continues to move forward with many of the Governor's Budget proposals to strengthen the state's workforce and benefit systems as California looks to recover from this recession.

Unemployment Insurance

As a result of the COVID-19 pandemic, the Employment Development Department (EDD) has been inundated with an unprecedented surge in unemployment insurance (UI) claims. As of May 9, EDD has processed and approved approximately 4.4 million UI claims that will provide over $12.2 billion in UI benefits. In an effort to address the nationwide impacts of the COVID-19 pandemic, the federal government enacted the Families First Act and the CARES Act, both providing temporary program enhancements and expanded unemployment insurance benefits to millions of workers who are no longer employed due to the COVID-19 Recession. Most notably, the CARES Act included a federally funded temporary emergency benefit increase of $600 per week through July 31, 2020 and a federally funded Pandemic Unemployment Assistance (PUA) program to provide up to 39 weeks of UI benefits to individuals who do not qualify for traditional unemployment compensation, including business owners, the self-employed, independent contractors, individuals with limited work history, and other individuals not usually eligible for regular state UI benefits who are unemployed as a direct result of the COVID-19 pandemic. The PUA program runs through December 31, 2020.

These federal investments will help stabilize income for the affected workforce in the short term. However, enhanced and expanded benefits are temporary. Additionally, the CARES Act allows states to borrow from the federal government to pay state UI benefits with no interest, but only through the end of 2020. California, like other states, has already begun borrowing and similar to the Great Recession, the state will likely need to borrow in the tens of billions of dollars, resulting in significant future annual interest payments until the loans are repaid. For context, the state borrowed over $65 billion from 2009-2017 and paid total interest of $1.4 billion from 2011-2018.

To address the increased volume of UI claims, EDD has implemented several strategies to increase efficiencies and maintain program continuity. EDD has launched a new call center and expanded hours at existing call centers that will now operate seven days a week from 8:00 a.m. to 8:00 p.m. It has implemented a one-stop shop for those applying for unemployment insurance as well as the new federal PUA program and streamlined the eligibility requirements for claimants allowing for expedited approvals. Additionally, EDD has administratively redirected hundreds of staff internally and added hundreds more from across various state departments to review and process claims.

The May Revision maintains $46 million to continue implementation of the Benefit Systems Modernization Project. This project will modernize and consolidate the department's Unemployment Insurance (UI), Disability Insurance (DI), and PFL benefit systems. The state of this legacy system and the need to replace it has come into sharp focus during the COVID-19 pandemic as millions of Californians have accessed the system to apply for UI benefits.

RECENT STATE ACTIONS

The COVID-19 pandemic has had significant impacts on California's workers and businesses, driving the unemployment rate above Great Recession levels. In order to mitigate these impacts, the Administration took a number of executive actions to extend UI claim call center hours to meet increased UI demand, provide financial support for immigrant workers affected by the COVID-19 Recession, announce the receipt of philanthropic funding to assist undocumented workers, implement federal funding to assist individuals affected by the COVID-19 Recession, and create a time-limited rebuttable presumption for accessing workers' compensation benefits applicable to Californians who must work outside of their homes during the stay at home order, among other things.

REALIGNING WORKFORCE TRAINING

The COVID-19 Recession is causing unemployment levels the state has never seen. As the economy recovers, it is critical that the state's workforce training programs are aligned to the jobs that employers need. For these reasons, the Administration is prioritizing the reorganization of various entities under California's Labor Agency that aligns fragmented programs and services to better support data, policy, and program analysis of the state's workforce training programs. The proposed consolidation of the state's workforce training programs under a new Department of Better Jobs and Higher Wages is needed more now than ever given the underlying changes in the state's economy. The Department will be comprised of the California Workforce Development Board, the Employment Training Panel, Workforce Services Branch, and Labor Market Information Division, which are currently in the Employment Development Department, and the Division of Apprenticeship Standards, currently in the Department of Industrial Relations.

PAID FAMILY LEAVE

The May Revision continues to include the expansion of job protections for any worker eligible for paid family leave (PFL) benefits and resources to support small businesses that extend these benefits to their employees. It also maintains a $10 million General Fund investment for the Social Entrepreneurs for Economic Development initiative, providing entrepreneurial training for individuals, including those who are undocumented.

ENFORCEMENT OF LABOR LAWS

Chapter 296, Statutes of 2019 (AB 5) established a new statutory employment test to determine whether a worker may be classified as an independent contractor instead of an employee. State labor laws provide employees certain protections like minimum wage, unemployment insurance, and protections against discrimination. The misclassification of workers as independent contractors has been a nationwide problem for many years, depriving these workers of their lawful benefits. The employment test under AB 5 presumes all workers are employees unless the employer can demonstrate a worker meets specified conditions, known as the ABC Test.

As mentioned above, the federal CARES Act provides benefits for workers traditionally not eligible for UI benefits. While the CARES Act provides some relief to workers who are misclassified, these workers will lose this benefit when the federal stimulus ends because their misclassification prohibits them from accessing the traditional state UI system. Companies who continue to misclassify their employment status avoid providing benefits and contributing to the unemployment benefit system, hurting California workers and adding pressure to the state's UI system.

The May Revision maintains the Governor's Budget proposal to enforce compliance with AB 5, including $17.5 million for the Department of Industrial Relations, $3.4 million for the Employment Development Department, and $780,000 for the Department of Justice.