



Decade of Divide

**Working, Wages and
Inequality in the East Bay**

September 2001



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September 2001

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ACKNOWLEDGEMENTS

This report was prepared by EBASE with the generous support of many people. We thank the following workers for generously sharing their stories of work and struggle: Martin and Silvia Barajas, Carmela Brambila, Isabel Morales, Felicia Bland, Jonathan Hintze and Han Yan Wu. We greatly appreciate LIFETIME, Asian Immigrant Women Advocates, PUEBLO and the Hotel Employees and Restaurant Employees Local 2850 for helping us find our interviewees.

We thank the following individuals for their invaluable feedback on early and late drafts: Will Fisher, Jessica Goodheart, Peter Hall, Sean Heron, Isaac Martin, Paul More, Edie Russell, Jean Ross, Victor Rubin and Tama Weinberg. We also thank Bethney Gundersen of the Economic Policy Institute for analyzing California wage data and Holly Minch of the SPIN Project for her expert advice on message development. An extra thanks goes to Jesse Rothstein for methodological advice and assistance.

EBASE staff also contributed countless hours of editing and assistance, in particular Co-Directors Amaha Kassa and Kirsten Cross, and Development Associate Robin Wyss. Martha Benitez surveyed and photographed East Bay workers. A special thanks goes to graduate student intern Jessica Scheiner for last-minute data analysis and painstaking editing.

Finally, we greatly appreciate the following foundations for the general operating support that made this report possible: Abelard Family Fund, French American Charitable Trust, Jewish Fund for Justice, McKay Foundation, New World Foundation, Solidago Foundation, Tides Foundation—Alki Fund and the Unitarian Universalist Veatch Program at Shelter Rock. We also thank Debbie Dare for her creativity and extra effort on the report design.

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EXECUTIVE
SUMMARY

When work began on this report early in 2000, the story of the day was the “miracle” economy of the U.S., and of the Bay Area region in particular. As billions of dollars in venture capital flowed into the Bay Area in the late 1990s, East Bay unemployment reached historic lows and East Bay businesses created over 150,000 new jobs. Rising employment and productivity coupled with low inflation led some economic pundits to announce the arrival of a new era of boundless growth. We were told that the old rules of the economy no longer applied, and even hard-hit urban areas like Oakland and Richmond could look forward to a piece of the economic action. The headlines in East Bay newspapers read: “Economy is Golden in the State”; “Bright Forecast for the Bay Area Economy”; and “East Bay Jobs and Housing Prices Surge.”¹

However, there is another story about the economy, one that has yet to be fully told. That is the story of the families who, despite working hard, were left out of the prosperity generated in the economic “boom” of the 1990s. As we show in this report, these workers and their families were trapped on one side of a growing economic divide, watching their wages and income stagnate while higher-income workers achieved phenomenal gains. Meanwhile, the cost of housing in the Bay Area and East Bay skyrocketed. Despite the tremendous wealth generated in the region, the poverty rate increased by 1.4% from 1989 to 1997. By 1999, one in three East Bay workers did not make enough to support a family. For these working families, the only “miraculous” thing about the economy was how they could create so much wealth and share in so little of it. It is their story that we tell in this report.

Now, in September 2001, the story of the day is mounting economic insecurity, and the specter of a full-fledged recession. The contraction of “new economy” high tech businesses, coupled with the slowing of the stock market and the California electricity crisis has policy makers and working families alike worried about the economic health of the state. May 2001 monthly unemployment reached 3.2%, the highest since May 1998. More disturbing, January to May job growth was only 3,240 jobs, compared to 6,580 jobs during the same period last year. This is the lowest January to May job growth since 1994, when California was just beginning to recover from the reces-

sion. The headlines now read: “U.S. on Edge of a Recession”; “Economy Battered in Last Quarter”; and “Tech Drags U.S. Economy to an 8-year Low.”²

If in the best of times low-wage workers and their families struggled to make ends meet while others prospered, what can we expect now, as we look forward to what may be hard times ahead? As the economy turns downward, our findings demonstrate that we cannot count on the next upswing to raise workers and their families out of poverty. Instead, policy makers and low-wage worker advocates in the East Bay should take steps now to mitigate growing inequality and help families be self-sufficient. We propose three kinds of solutions: make work pay, help families make ends meet and promote access to and fairness in employment.

Below are highlights from the report:

The Economy Booms—for Some

The East Bay economy experienced historic economic growth in the late 1990s. For the Bay Area and the East Bay, the last half of the 1990s brought record employment and productivity not seen since the post-war era.

Indicators of a booming economy included:

- The Bay Area Gross Regional Product, the sum of all economic activity, grew an average of 3% per year from 1994 to 1999.
- Per employee productivity in the Bay Area increased by 3.7% annually from 1993 to 1998.
- Income per person in the Bay Area grew by 28%, compared to 9% for California and 5% for Los Angeles over the whole decade. East Bay income per person grew by 12%.

In the East Bay, there are more jobs and more people working than ever before:

- East Bay jobs grew by 14% by the end of the decade, faster than California’s jobs growth rate of 12%.
- Unemployment in the East Bay reached a 20-year low in 1998, dipping to an annual average of 3.8%.

The Wage Divide Widens in the East Bay

Despite the booming economy, workers in the bottom 20% of the East Bay labor force experienced little or no gains. Wage trends show that:

- The top fifth of East Bay workers saw a 17% increase in wages from the period of 1988-90 to 1997-99.
- Meanwhile, the bottom fifth of workers saw no effective gain in wages over the same time.
- The wage gap between workers at the top and the bottom grew by 8%.

Workers of Color and Those With Limited Education Hit Hardest

- East Bay white workers gained 15% in wages while workers of color gained a mere 1%.
- Workers with a Bachelors degree enjoyed a 5% increase in wages while those with a high school degree or less lost 5%.

The Middle Shrinks, Union Jobs Decline

Two explanations of the widening wage divide are the growth of the hour-glass economy and a decline in union membership:

- Jobs in middle-paying industries dwindled. State-wide, California lost 100,000 middle-wage paying jobs on net while low and high-wage paying jobs increased 700,000 and 300,000 over the 1990s.
- The number of union members declined. Union covered workers in the East Bay made more than non-union workers at the beginning and end of the decade. However, the proportion of union covered workers fell from 26% to 23%.

The Income Divide Widens in the Bay Area

Despite a 28% growth in income per person over the last decade, low-income working families were left behind as middle and upper-income families pulled away.

- Families in the bottom fifth gained only \$400 in annual income over the 1990s while those at the top gained over \$34,000.
- The gap between low- and high-income families yawned 16% wider over the course of the decade.

The Emerging Hourglass Economy; Jobs Grow at the Top and Bottom

The East Bay economy generated large-scale growth in service sector jobs, which were split between high- and low-wage paying occupations. This job structure resembles an hourglass, bulging at the top and the bottom and slim in the middle. Over the 1990s:

- The East Bay lost 16,000 blue-collar manufacturing and defense related jobs. 15,000 new manufacturing jobs made up for the loss, but were in industries with many low-wage assembly positions.
- 62.3% of all new jobs were in the service producing sector, which includes retail, government, banking, health and “business services” jobs.
- 25% of all new jobs were in business services, which is split between high-wage employment in the computer and internet industries and low-wage jobs in janitorial, security and temporary industries.
- Temporary jobs accounted for nearly one of ten East Bay jobs, and accounted for more jobs than the higher paying computer programming, processing and software development industries combined.

The East Bay Labor Force Grows More Diverse

The East Bay population grew at a healthy rate from 1990 to 2000, but all net growth was due to Asian/Pacific Islander and Latino population increase. People of color in the East Bay now outnumber white persons. From 1990 to 2000:

- Latinos grew by 168,000 and increased as a proportion of all East Bay persons from 13% to 18%.
- Asian/Pacific Islanders grew by 148,000 and increased as a proportion of all East Bay persons from 12% to 17%.
- The African-American population grew by 2,300 persons but declined as a proportion of all East Bay persons from 14% to 12%.
- White persons declined by 100,000 persons and also declined as a proportion of all East Bay persons from 60% to 49%.

Bay Area Working Families Struggle with Rising Cost of Living

In the 1990s, low-income families faced growing difficulty in making ends meet in the East Bay. The region’s prosperity, while largely not reflected in higher wages or income for low-wage workers, resulted in a surging cost of living. We found that:

- Between 1989 and 1997, poverty, as measured by the Federal threshold, increased from 9.2% to 10.6%.

- However, the Federal poverty threshold, which does not account for higher housing costs, underestimates poverty in the Bay Area. The East Bay is the 7th most expensive urban area in the country to rent housing, according to the Federal government.
- Between 1989 and 1999, rent costs increased 15% faster in the larger Bay Area than in the U.S. and 30% faster than in Los Angeles.
- By 1998, one in five East Bay families paid more than 50% of their income for housing and two in five families paid more than 30%.

Many East Bay Jobs Can't Support Families

A Basic Family Budget, an alternative to poverty measurements that calculates the actual cost of providing a family's basic needs, shows that the wages needed to support a family in the Bay Area are far higher than the minimum wage. The Basic Family Budget includes only the most basic needs. Turning the annual Basic Family Budget into a wage shows that:

- A full time working parent raising two children by him/herself needs to make \$21.24 an hour to make ends meet on a bare bones budget.
- A full time working parent raising two children and supporting a spouse who is caring for the children needs to make \$17.56 an hour.
- Two full time working parents raising two children need to earn \$12.92 an hour each.

A high proportion of East Bay jobs did not pay a Basic Family Wage at the end of the 1990s. An analysis of East Bay jobs shows that:

- 36% of all jobs in the East Bay pay less than a Basic Family Wage needed to support a two-earner family of four.
 - 54% of all jobs will not support a single-earner family of four.
 - 65% of all jobs will not support a single parent supporting two children.
-

Recommendations

With economic indicators on a downward slide and the future of the East Bay economy uncertain, now is the time for policy makers and low-wage worker advocates to ensure that low-income families can make ends meet in the increasingly expensive Bay Area and to protect the gains made by middle-income families. Any strategy for bringing about renewed economic growth must be paired with a comprehensive strategy for lifting up the working families at the bottom of the wage and income scales. We recommend the following three-part strategy:

Make Work Pay

- Adopt policies that increase wages, like living wage laws.
- Encourage creation of good paying jobs through holding subsidized businesses accountable for job quality.
- Remove barriers to worker organizing by strengthening labor laws and changing immigration laws.

Make Ends Meet for Working Families

- Create more affordable housing in the East Bay.
- Protect the supply of affordable rental housing through renter protections.
- Enhance the earned income tax credit through a State policy.

Promote Access to and Fairness in Employment

- Promote access for workers of color and workers with limited education to high-wage, high-growth sectors.
- Vigorously enforce compliance with existing anti-discrimination laws and policies.
- Pass local hiring policies.

INTRODUCTION

If one relied only on national newspapers to get a picture of the Bay Area economy in the last few years, it would be easy to conclude that every Bay Area resident is a dot-com millionaire. However, high-tech firms employ only a fraction of all workers in the Bay Area. While high-tech firms in Santa Clara County employ 25% of the county workforce, high-tech firms in San Francisco employ only 7% and in the East Bay employ only 8% of all workers.³ The national media portrait of the Bay Area leaves out the vast service sector labor force, many of whom make wages that cannot lift a family out of poverty.

This report assesses economic trends that have affected the low-wage labor force in the East Bay during the historic decade of the 1990s, from deep recession to dot-com boom. Our purpose is two-fold: 1) to understand how low-wage workers—those who wait tables, clean office buildings and care for our elders—fared while times went from bad to good for the overall economy and 2) to focus specifically on East Bay jobs and workers separately from the rest of the Bay Area.

This report does not claim that the East Bay is independent from other regions of the Bay Area. The East Bay economy is integral to that of the entire Bay Area and shares with it many broad trends. However, its distinctions from the rest of the Bay Area give value to separate study, especially on economic issues. We also recognize that the East Bay is not homogenous—Oakland, Fremont and Antioch look very different from each other. On the other hand, the cities of the East Bay share a history, industrial mix and population that make it socially and politically distinct from places like San Francisco and San Jose.

The East Bay – A Rich Mix of History, Industry and Diversity

The East Bay is composed of two counties, Alameda and Contra Costa, which stretch the length of the San Francisco Bay, from south to north. Although the two counties have substantial land under agricultural use, especially in their eastern halves, the vast majority of the population lives and works in over 50 cities and unincorporated urban areas. Unlike Santa Clara and San Francisco Counties, the majority of the population does not live in one city. Only five cities contain more than 100,000 persons: Oakland, Fremont, Concord, Hayward and Berkeley. The largest city, Oakland, with a population of 400,000, holds only 17% of the total East Bay population.

Most of the older urban areas of the East Bay developed around the city of Oakland, which historically has served as a vital hub of commerce and blue-collar industry for the Bay Area. Oakland's role as a rail and sea terminal for the Bay Area in the late 1800s secured a manufacturing base for the region, which later boomed during the war periods of the twentieth century. More recently, the Port of Oakland's transition from cargo nets and muscle to a modern container facility led to an eclipse of San Francisco's port in the 1960s and 1970s. Today, Oakland and its inner-ring sister cities, such as Richmond and Hayward, embody a distinct blue-collar social and political culture and serve as a distinct locus of manufacturing activity.

The historically agricultural communities in the central parts of the East Bay were replaced with suburban tract homes at a swift pace beginning in the 1960s. Cities such as Walnut Creek and Concord expanded rapidly as bedroom communities, and developed their own job centers. More recently, cities in Northern Contra Costa and Southern Alameda Counties have exploded as suburban communities. From 1980 to 2000, populations expanded rapidly in the Contra Costa County cities of Antioch (112%) and Pittsburgh (72%) and in the Alameda County cities of Livermore (81%) and Fremont (54%) as they attracted migrants from the older cities of the East Bay and from San Francisco.⁴ Cities in Southern Alameda County, such as Fremont and Dublin, have benefited from proximity to Silicon Valley by recently attracting high-tech investment.

The population of the East Bay is one of the most diverse in the country with all major racial groups well represented. In 1970, Asian/Pacific Islanders and Latinos accounted for only 3 percent and 8 percent of the East Bay's population; they now account for 17 percent and 18.5 percent, respectively. One government index lists the East Bay county of Alameda as the most diverse in the Bay Area.⁵

The population of the East Bay is one of the most diverse in the country with all major racial groups well represented.

For the past 50 years, the majority of Bay Area African Americans have lived in Alameda and Contra Costa counties. Although present from the early years of the region, most arrived during World War II, attracted by the vast shipbuilding enterprises in Richmond, Oakland and Alameda. From 1940 to 1950, the African American population increased five-fold, growing from 12,000 to 60,000. Sixty-five percent of these immigrants came from the Southern regions of the U.S.⁶ By 1970, East Bay African Americans were the largest non-White population in any Bay Area sub-region.⁷

Following World War II, however, returning soldiers displaced black workers and manufacturing began a long-term decline, leading to persistent joblessness for the East Bay's black community. Racism, white flight and the movement of jobs to the suburbs left many East Bay communities with chronic underemployment, lack of community investment and declining political power in the African American community.

In the course of this report, we will examine the impacts of the changing 1990s economy on this diverse region.

A Brief Note About Estimating East Bay Trends

A full explanation of the methods and statistical techniques used in this report can be found in Appendix B. We should note that the most important evidence and conclusions in the study focus on the East Bay. However, in some cases, the data available for the East Bay did not provide a large enough sample to make reliable conclusions. In these cases, such as our analysis of inequality in family income growth, we rely on data and trends for the entire Bay Area as a proxy. We note in the report when this occurs.

THE CHANGING EAST BAY ECONOMY, 1989 TO 1999



CHAPTER 1

In recent years, journalists in the U.S. and abroad have extolled the Bay Area as an example of America's renewed economic promise. A timely combination of high skill workers, venture capital and organizational innovators gave birth to an historic economic boom in the late 1990s. Although the economic boom faded to an economy in flux by the summer of 2001, the Bay Area, along with its sub-regions, still symbolize hope for U.S. prosperity in the information-oriented, global economy. In this chapter we assess economic growth in both the Bay Area and the East Bay over the 1990s. We also discuss changes in East Bay industrial sectors and in the labor force, which are closely related to growing inequality. We then contrast the tremendous economic growth of the 1990s with its unequal distribution in Chapter 2.

Dramatic Economic Growth and Productivity in the Late 1990s

As the U.S. recovered from the national recession of 1991 and 1992, California and its urban regions remained mired in high unemployment and zero growth. Negative social and economic indicators coupled with anticipated contraction of the military and defense industry caused many to worry about the future of California. By 1995, however, the recession ended for the Bay Area, and by 1996 the recession was over for all of California. For the East Bay the last half of the 1990s brought employment and productivity growth not seen since the post-war era.

Bay Area Regional Productivity

During the last half of the decade, both the total volume of business activity and the rate of productivity growth increased sharply in the Bay Area.

At the height of the recession, growth in the Bay Area's Gross Regional Product (GRP)—the total economic output of all businesses in a region—was effectively zero. From 1994 to 1999, inflation adjusted GRP grew an average of 3% per year.⁸

Furthermore, from 1993 to 1998, per employee productivity increased by 3.7% annually, a rate faster than any of the seven major regions that compete in the Bay Area’s most important industries.⁹ Per employee productivity is simply the amount of goods or services a worker produces per hour of his or her labor. For both the Bay Area and the nation, which also enjoyed 2.5% annual growth in the late 1990s, productivity has not been this high for 25 years¹⁰.

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The East Bay gained 150,000 jobs by the end of the decade, moving to just above one million jobs.
 —————

Job Growth in the Bay Area and East Bay

A large proportion of California’s economic growth over the last decade originated in the Bay Area. Twenty-nine percent of all jobs created in California from 1989 to 1999 —over 500,000 jobs—were located in the Bay Area (see Table 1.1)¹¹. The Bay Area average annual job growth rate for the decade (+1.8%) was slightly above the rate for California (+1.4%). This reversed a trend in the 1980s in which the Bay Area’s growth rate (+2.2%) was slower than the rest of the state (+3.3%). Over the last ten years, the Bay Area created jobs at a rate 38% faster than the rest of California.

Table 1.1: Non-Farm Job Growth in California, 1989 to 1999

Region	1989	1999	New Jobs	% Growth
East Bay	857,200	1,008,000	150,800	17.6%
All Bay Area	2,862,200	3,363,800	501,600	17.5%
California	12,238,500	13,991,900	1,753,400	14.3%

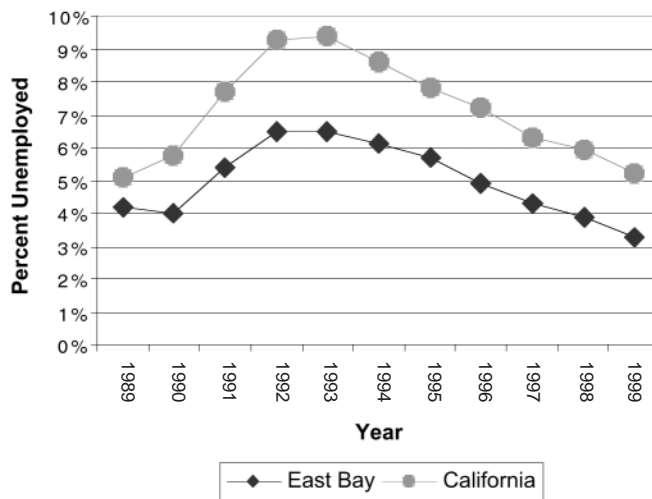
Source: California Employment Development Department

East Bay jobs also grew faster than the rest of California by the end of the decade (see Table 1.1). As with all regions, the East Bay struggled with stagnant job growth during the recession (1991 through 1995), but lost relatively fewer jobs and began to recover sooner. The region gained 150,000 jobs by the end of the decade, moving to just above one million jobs.¹² As of 1999, 30% of all Bay Area jobs were in the East Bay.

Unemployment in the East Bay

Unemployment in the East Bay reached a 20 year low in 1998, dipping to an annual average of 3.8% (see Figure 1.1).¹³ It continued to fall, reaching 2.9% by 2000. This soundly beat the last business peak unemployment rate of 4% that occurred in 1990.¹⁴

Figure 1.1: Unemployment Rate, East Bay and California, 1989-1999



Source: California Employment Development

By 1999, the Bay Area metropolitan region had the highest average wage and salary earnings in the nation.

Annually, unemployment in the East Bay averaged 5.1% for the first half of the decade and 4.4% for the last half of the decade. California's overall unemployment averaged 7.6% and 6.5% respectively, for the same time periods.

Regional Earnings and Income Per Person

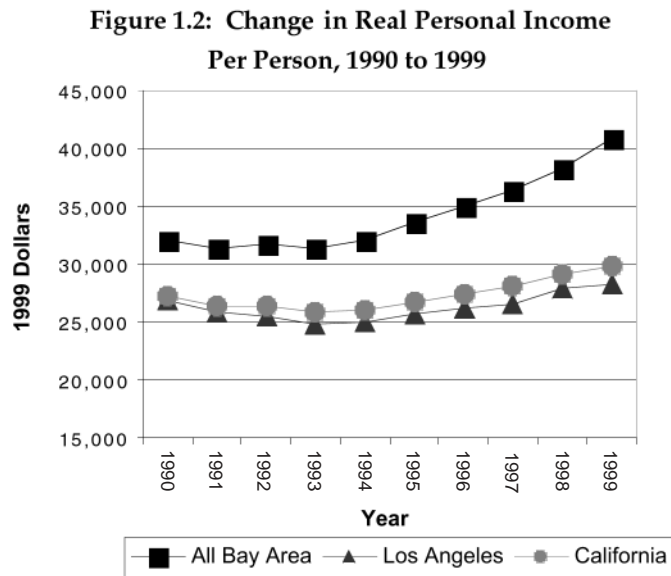
By 1999, the Bay Area overtook the New York metropolitan area as the major urban area with the highest average annual wages and salaries in the nation.¹⁵ (Wages and salaries represent all earnings from employment.) Three of the Bay Area's sub-regions, including the East Bay, rank in the nation's top 12 urban areas.

However, the most striking change during the 1990s was a dramatic increase in Bay Area personal income per person.

“Total personal income” adds together all sources of income for every person and family in a region, such as the Bay Area. It includes earnings, dividends, income from a personally owned business, capital gains and government transfer payments (e.g., welfare and food stamps). “Total personal income per person,” then, simply divides total personal income by the population. This means that if income grew only because more workers moved to the Bay, there would be no growth in income per person. But if income has grown much faster than the population, as is the case in the Bay Area, the indicator is a positive number.

Between from 1990 and 1999, total personal income per person in the Bay Area grew by a stunning 28%.

From 1990 to 1999, total personal income per person in the Bay Area grew by 28% compared to 9% for California and 5% for Los Angeles, after accounting for inflation (see Figure 1.2).¹⁶ In 1999, the Bay Area held the highest total income per person in the U.S at \$40,858. Its closest competitors, New York and Washington D.C., were \$2,000 and \$5,000 behind.



Source: Bureau of Economic Analysis

Personal income per person in the East Bay grew by 12% during the same time period. This is substantially less than San Francisco’s (28%) and San Jose’s (36%) growth. However, at \$35,700, East Bay personal income per person remained much higher in 1999 than the rest of the U.S. (\$29,000) and California (\$30,000).

Changing Industrial Composition Creates an Hourglass Economy

The East Bay economy generated large-scale growth in primarily high and low-wage, service sector jobs during the 1990s. Older blue-collar and defense jobs lost ground, while retail jobs rebounded after huge losses during the recession. “Services,” which include business and health services, accounted for 62.2% of all new jobs. Within business services, which accounted for 25% of all new jobs, low and high wage industries grew the most; temporary jobs accounted for nearly one of ten East Bay jobs, edging out computer programming, processing and software development combined. This pattern of growth, heavy at the top and the bottom but slender in the middle, has been described elsewhere as an “hourglass economy.”

Decline in Well-Paying Blue Collar Jobs

The East Bay’s well-paying, blue-collar jobs suffered a steep decline over the last 40 years and continue to lose ground slowly to new economy manufacturing. Manufacturing jobs in the region declined from 35% of all jobs in 1959 to 15% by 1989.¹⁷ Despite the decline, the East Bay remained second only to San Jose in the Bay Area in number of manufacturing jobs¹⁸. In the 1990s, the non-durable goods manufacturing sector lost 5,400 jobs, primarily in the petroleum and chemical processing industries. The durable goods industries, primarily electronic components and high-tech machinery, made up the loss with a 15,400 job gain. However, the non-durable goods industries that lost jobs consists of older industries with higher paying jobs, while the durable goods industries that gained jobs includes both highly-paid, highly-educated positions and low-wage, low-skill assembly jobs.

During the 1990s, the most important job growth story of the East Bay is the major shift within the service-producing sector, rather than a change in the goods-producing sector. Table 1.2 shows that the overall goods-producing sector, which includes manufacturing and construction, grew 12.8% by the end of the decade with a net of 20,500 new jobs. The service-producing sector, which includes retail, health services, software producers and government, grew faster at an 18.7% rate, with a net gain of 130,300 jobs. The service-producing sector was affected by three major trends in the 1990s; military base closure, contraction of the retail industry and explosive growth in a sector called “business services.”

—————
The East Bay lost older, well-paying manufacturing sector jobs over the 1990s while gaining newer, lower paying ones.
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Table 1.2: East Bay Job Growth by Major Sector, 1989 – 1999

East Bay Sector	1989	1999	Job Change 89-99	Growth Rate
Goods Producing	159,900	180,400	20,500	12.8%
Service Producing	697,300	827,600	130,300	18.7%
<i>Total All Jobs</i>	<i>857,200</i>	<i>1,008,000</i>	<i>150,800</i>	<i>17.6%</i>

Source: California Employment Development Department

In the early nineties, the U.S. Congress closed several East Bay military bases as part of a larger military downsizing in the U.S. and abroad. As a result, the East Bay lost 10,400 civilian jobs associated with the Department of Defense alone.¹⁹ Retail industries also suffered an early nineties contraction, losing 9,000 jobs by 1993. All of those retail jobs were regained by 1999, but the sector represented only 2% of all job growth during the 1990s compared to 17.1% in the 1980s (see Appendix A for a full table of sector growth from 1983 to 1999).

Service Sector Growth Split Between High and Low-wage Jobs

Counter to the trend for retail industries, several service sector industries increased dramatically over the 1990s. Table 1.3 shows that the broad category of “services” expanded by 94,000 jobs. Job growth in the services industries comprised only 36% of total job growth in the 1980s, but comprised 62% in the 1990s (see appendix A for a comparison of the 1980s to the 1990s). Within services, the majority of growth occurred in “business services” (37,200 jobs), “health services” (17,200 jobs), and “other services” (24,300 jobs).



Han Yan Wu

Like many immigrant workers, Han Yan Wu found full-time, low-wage work in the new economy, assembling electronics and considering herself lucky not to be in a sweatshop. After nearly four years as a temporary employee, this 55 year old woman from China now earns \$7.25 an hour and must pay \$81 a month for the health insurance provided by her employer. Even with income from each of the three adults in her family, making ends meet every month is a challenge. Immigrant workers, Han Yan understands, “need strong bones to be able to fight for ourselves and take what we’re offered, even if it hurts.”

Table 1.3: Most Service Sector Job Growth in Business Services, 1989 – 1999

East Bay Service Sector	1989	1999	Change in Jobs	% Change of All East Bay Jobs
Business Services	50,300	87,500	37,200	24.7%
Other Services	56,400	80,700	24,300	16.1%
Health Services	55,000	72,200	17,200	11.4%
Engineering & Management	22,900	33,600	10,700	7.1%
Private Educational Services	9,300	13,100	3,800	2.5%
Lodging & Personal Services	15,200	15,900	700	0.5%
All Service Jobs	209,100	303,000	93,900	62.3%
All East Bay Jobs	857,200	1,008,000	150,800	100.0%

Source: CA Employment Development Department

With an increase of 37,200 jobs, business services created 25% of all new jobs in the East Bay. “Business services” groups together a mix of older and newer types of businesses that employ both high-skilled workers (such as computer programmers and software developers) and low-wage, low-skill workers (such as janitors, security guards and temporary workers).

Within the business services sector, industries that employ primarily low-wage workers grew dramatically from 1989 to 1997 (see Table 1.4).²⁰ Jobs in the temporary employee industry nearly doubled, growing from 16,300 jobs in 1989 to 30,500 jobs in 1997. These 14,200 new jobs represent a growth rate of 87% and account for nearly one in ten of all new jobs created in the 1990s.²¹ “Other business services,” consisting of over two-dozen smaller industries such as telemarketing, private mail centers and interior design, added 4,025 jobs and posted a growth rate of 103%. Finally, a combination of jobs in the building maintenance (janitors) and security industries (security guards) added 3,718 jobs and posted a growth rate of 39%. The average wages in 1999 of these industries in California run from \$10.31 to \$14.08.²²

“Business services” that employed primarily low-wage workers, such as janitors and temporary workers, grew dramatically from 1989 to 1997.

Table 1.4: Top Five Business Services Industries With the Most Growth, 1989-1997.

East Bay Business Services	1989	1997	Change in Jobs	% of All Jobs	CA Average Wage*
Temporary Help Agencies	16,302	30,471	14,169	9.4%	\$13.25
Computer Software, Programming & Processing	10,373	23,103	12,730	8.4%	\$27.73
Other Business Services	3,913	7,938	4,025	2.7%	\$13.83
Detective, Guard and Armed Services	4,887	6,985	2,098	1.4%	\$14.08
Janitorial Services	4,925	6,645	1,720	1.1%	\$10.31
Total of Top Five	40,400	75,142	37,472	23.0%	
<i>All East Bay Jobs</i>	<i>857,200</i>	<i>1,008,000</i>	<i>150,800</i>	<i>100.0%</i>	

Source: Authors' Analysis of County Business Patterns and *Economic Policy Institute analysis of CPS ORC, 1999

Meanwhile, the high-wage computer software and programming jobs associated with the Bay Area's high-tech and internet job boom also dramatically increased. These industries added 12,700 jobs from 1989 to 1997, representing a job growth rate of 122%. On average computer services workers in California made \$27.73 an hour in 1999.²³ Despite the stunning growth rate, computer-related service added fewer jobs to the economy than temporary employee help agencies in the late 1990s.

While the East Bay is still strong in goods-producing industries relative to the rest of the Bay Area, service sector jobs dominated employment growth in the 1990s. High growth in business services, coupled with a decline of blue-collar and defense jobs moved the East Bay economy towards an hourglass structure—many jobs at the top and bottom of the wage scale with fewer in the middle. In the next chapter, we connect this hourglass trend with recent growth in wage inequality. We find that the hourglass economy helped to dramatically widen the divide between low-wage and high-wage workers.

East Bay Labor Force Becomes More Racially and Ethnically Diverse

In the last decade, not only have the kinds of jobs in the East Bay changed, but also the race and ethnicity of the people that hold them. The East Bay, as the blue-collar community of the Bay Area, has long been home to a racially

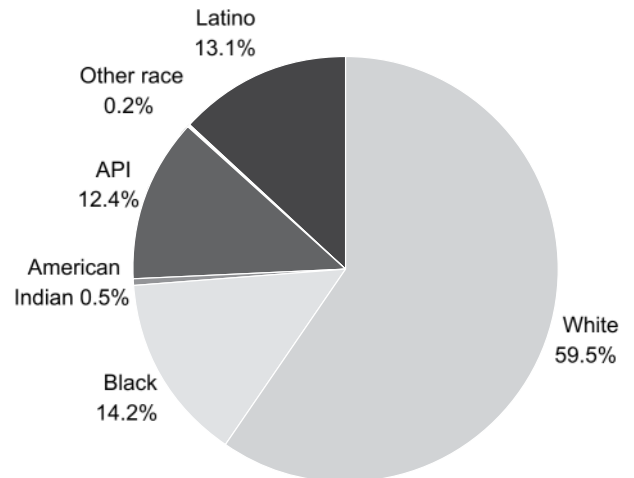
and economically diverse population. The three hundred thousand additional people residing in the region by 2000 increased this diversity in the workforce. As a result, the East Bay is now a “majority minority” region.

Early reports from the 2000 decennial census show that only two racial groups increased in size in the decade of the 1990s—Asian/Pacific Islanders (API) and Latinos (Hispanics).²⁴ Furthermore, these two groups comprised all of the East Bay’s 300,000 population increase. The API population grew by over 148,000, increasing their percentage of the total population from 12.4% to 17%. The Latino population likewise made an enormous gain of 168,000 people, increasing their percentage in the total population by almost a third, from 13% to 18%. According to a pre-2000 Census estimate, international immigration accounted for nearly one third of the East Bay’s population growth from 1990 to 1999.²⁵

While the region accommodated 300,000 more people, the East Bay actually lost nearly 100,000 persons who described themselves to the census as white. Whites dropped from 60% of the entire population to only 49%. Native Americans also decreased in population, from 11,200 in 1990 to 9,000 in 2000, and now make up only 0.4% of the population.

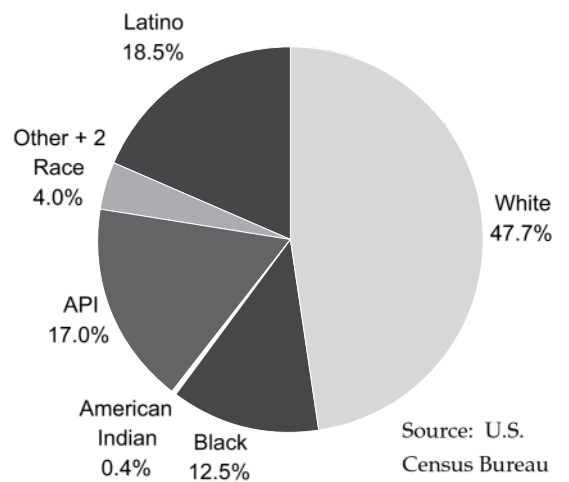
However, a new category of persons was added to the 2000 census—“more than one race.” Over 129,000 persons indicated that they were members of this new category. The “some other race” category also grew by 92,000. Thus, the drop in whites and Native Americans may not be as drastic if those indicating “more than one race” or “some other race” would have described themselves as white or

Figure 1.3: East Bay Population by Race, 1990



Source: U.S. Census Bureau

Figure 1.4 East Bay Population by Race, 2000



Source: U.S. Census Bureau

Native American in 1990. Still, even if all persons in these two categories had chosen white or Native American in 2000, both groups would have shown no or little growth by the end of the decade.

Finally, the East Bay population of black persons grew a marginal 2,300 people to a total of 298,000. As a proportion of all persons in the East Bay, they decreased from 14% to 12%. Despite this downward shift, the East Bay still has the highest proportion of blacks in the Bay Area. In 1970, 55% of the Bay Area’s black persons lived in the East Bay; in 2000, 60% still lived in the region.

The East Bay share of Asian/Pacific Islanders and Latinos grew while the share of whites and blacks declined between 1990 and 2000.

Summary

The 1990s was a time of dramatic change for the East Bay. The region swung from a devastating recession in the early nineties to a booming economy by the late 1990s. Unemployment reached historic lows. Job growth soared, but proliferation of low and high wage jobs created an hourglass structure. Amidst these changes, the East Bay became more diverse. People of color now outnumber the white population. As we find in Chapter 2, these changes had a disproportionate affect on East Bay workers and their families—some racial and ethnic groups made great advances, while others were left behind

PROSPERITY FOR SOME, BUT NOT ALL

During the 1990's, East Bay jobs increased faster than the population. Unemployment declined and workers became more productive. Many economists believe that these conditions should create a labor market in which workers have more power to bargain, either individually or collectively, for better wages from their employers. However, we found that while East Bay workers making higher wages gained substantially in earnings, lower-wage workers gained relatively little or nothing. Furthermore, low-income families were left behind in the booming economy as income gains went to families in the middle and the top.

Wage Inequality

As noted in the previous chapter, the average earnings per person in the entire Bay Area were the highest in the nation in the late 1990s, surpassing the New York metropolitan area. Median wages for both the Bay Area and the East Bay increased from 1988-90 to 1997-99. Yet, analysis of wage parity shows that wage gains accrued disproportionately to workers at the top of the earnings scale. Looking further at wage spread, not only did the divide between the top and the bottom grow, so did the gap between the top and the middle.

Wage Inequality in the U.S. and California

Wage disparity among U.S. earners has been growing for the last thirty years; a trend well documented for both U.S. and California workers.

Nationwide, from 1979 to 1995, wages for the bottom 70% of all U.S. workers fell and wages for the top groups rose modestly.²⁶ Workers in the bottom fifth of all wage earners lost more than 11% in real wages, resulting in a dramatic growth in inequality. After 1995 wages picked up for all groups and workers in the bottom fifth regained 8.8%. However, as of 1999, these workers still had not regained the ground lost in the 1980s. Furthermore, even as the gap between the bottom and middle closed, the top pulled even further away from the middle.

California’s workers have suffered from a long-term decline in real wages (i.e., accounting for inflation) that has hit low-wage workers the hardest. The state’s 20th percentile wage fell more than 15% between 1979 and 1999, despite a slight increase since the recovery of the mid-90s.²⁷ The growth of inequality in the 1980s and 1990s was primarily a result of the drop in wages for low-wage earners rather than wage increases in high-wage earners.²⁸ Consistent with the rest of the nation, wages for workers at the bottom and middle have grown closer while wages for the highest paid Californians have grown further apart.²⁹

Workers at the bottom of the wage scale saw no real wage gains over the decade.

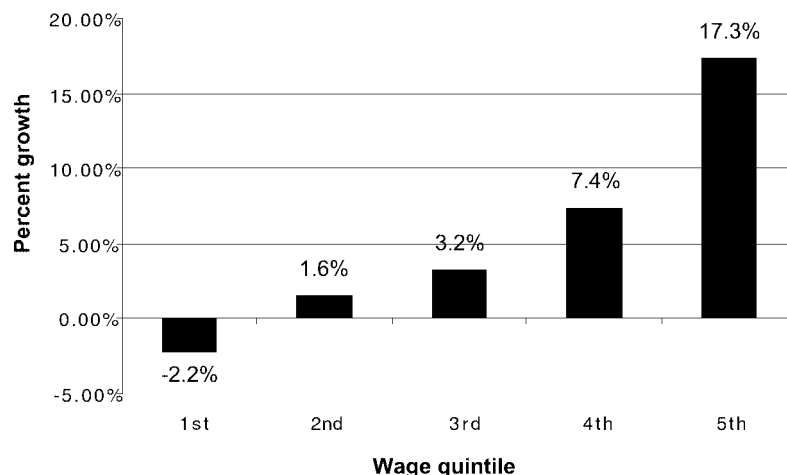
Wage Inequality in the East Bay

Using two measures to gauge inequality over the 1990s, we found that wages did not grow equally for East Bay workers at the bottom, middle and top.³⁰

We first measured wage change and inequality by ranking all workers in the East Bay, dividing them into fifths, and calculating an average wage for each fifth, or quintile. Thus, the first quintile refers to the worst-off 20% of workers and the fifth quintile refers to the best-off 20% of workers.³¹

Figure 2.1 and Table 2.1 show that the average hourly wages for the first quintile declined by more than 2 percent, and wages for the second quintile increased less than 2 percent. Meanwhile, the best paid of the East Bay’s workers enjoyed an increase of more than 17 percent between 1988-90 and 1997-99. Workers in the third and fourth quintile gained as well, although considerably less than the top fifth.

Figure 2.1. Percentage Growth in East Bay Wages, 1988-90 to 1997-99



Source: Authors’ Analysis of Current Population Survey, ORG Files

We observe here that the top fifth of workers gained a disproportionate share of the wage increase relative to all other workers. The dramatic scale of inequality between the top and the bottom suggests that growing productivity and falling unemployment may lead to greater bargaining power in the high-wage market, but not in the low-wage labor market.³²

Table 2.1: Average Wages by Quintile, 1988-90 to 1997-99

Wage Quintile	1988-90	1997-99	% change
First (Bottom)	\$6.94	\$6.78	-2.2%
Second	\$11.34	\$11.52	+1.6%
Third	\$15.52	\$16.03	+3.2%
Fourth	\$20.31	\$21.80	+7.4%
Fifth (Top)	\$35.38	\$41.52	+17.3%

Source: Authors' Analysis of Current Population Survey, ORG Files

Our second measure of inequality calculates how many times more workers higher on the earnings scale make than their counterparts lower on the scale. First, we ranked all earners from bottom to top by wage. Then, we took the person exactly at the 90th percentile (90% of all earners make a lesser wage) and divided his or her earnings by those of the person at the 10th percentile, creating a 90/10 ratio. For example, the 90/10 ratio in 1997-99 was 4.9, which means that the 90th percentile earner made nearly 4.9 times as much as the 10th percentile earner. We calculated three ratios: the top/bottom (90/10), top/middle (90/50) and middle/bottom (50/10). Comparing the ratios between 1988-90 and 1997-99 shows whether the spread of wages has grown.

We found that all wage ratios increased during the 1988-90 to 1997-99 period. Table 2.2 shows that the 90/10 ratio increased from 4.56 to 4.91, rising by over seven percent as the best off grew further away from the worst off. (Table 2.1) A substantial increase in the 90/50 ratio shows that the top pulled away from the middle, while a smaller increase in the 50/10 ratio shows that the middle and bottom did not grow as far apart.



Isabel works 37 hours a week on a sandwich production assembly line for \$7.35 an hour. When not making sandwiches, she works another 25 hours a week as a cashier at a popular salad bar restaurant for \$7.00 an hour. "It's difficult. You must work a great deal to survive here, and even harder because you are an immigrant."

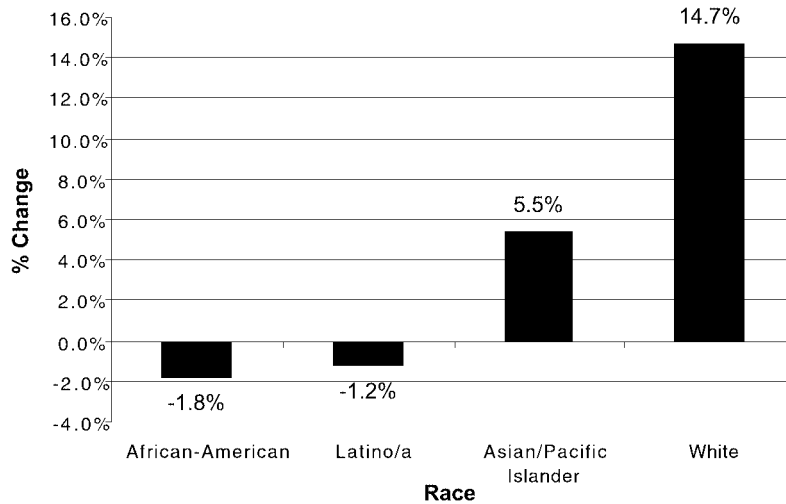
Wages by Race and Education

Growing wage inequality and the lack of gains on the bottom relative to the top have made some groups in the East Bay better off and others worse off. Two groups concentrated at the bottom of the wage scale – workers of color and people with a high school education or less – did not share in the large wage gains enjoyed by white or better-educated workers in the region.

Because the sample size for some East Bay race groups is too small for reliable analysis, we analyzed wages by race and education for the larger Bay Area (see Figure 2.2). Wages for Bay Area whites and Asian/Pacific Islanders improved markedly, rising 15 percent and 5.5 percent, respectively. Latino and African American workers gained little or lost, and were left far behind relative to whites.

Latino and African-American workers gained little or lost in wages, and were left far behind relative to whites.

Figure 2.2: Change in Bay Area Average Wages by Race, 1988-90 to 1997-99



Source: Authors' Analysis of Current Population Survey, ORG Files

To determine if wages by race in the East Bay resemble wages by race in the larger Bay Area, we combined African Americans, Latinos and Asian/Pacific Islanders into a single group and compared it to the white group. From 1988-90 to 1997-99 East Bay white persons saw their average wages jump almost 15 percent, while the wages of workers of color advanced only 1 percent. In combining the three race groups, we lose important distinctions between them and their relative positions in the labor market. However, by

combining all three, we create the most conservative estimate in comparing workers of color with white workers.

An analysis of average wages by education shows that better educated Bay Area workers experienced disproportionate wage gains in the 1990s. Wages for those with only a high school degree or less have fallen 5%, while those workers with at least a Bachelor's degree saw their wages rise 4% (see Table 2.3.).

Table 2.3: Mean wages by education, Bay Area, 1988-90 to 1997-99

Education level	1988-90	1997-99	% change
HS or less	\$13.52	\$12.79	-5.4%
Some college	\$18.00	\$17.04	-5.3%
BA or more	\$24.13	\$25.18	4.4%

Source: Authors' Analysis of Current Population Survey, ORG Files

Wages for those with only a high school degree or less fell 5%, while those workers with at least a Bachelor's degree saw their wages rise 4%.

An increase in education attainment, however, did not mean wage gains for all Bay Area racial groups in the 1990s. (We again use Bay Area statistics due to the small sample sizes of some race groups in the East Bay.) Whites and Asian Pacific Islanders greatly increased the proportion of persons with a Bachelor's degree (BA) or higher and saw corresponding increases in wages. White persons with BAs increased from 33% to 45%, while Asian BA holders increased from 36% to 45%.³³ Likewise, small wage gains for Latinos corresponded to a low level of education, with only 15% of Latinos holding a BA or higher by the end of the decade. African Americans increased the proportion of BA degree holders from 21% to 31%. However, the rise in Bay Area African American education attainment over the 1990s did not reduce the wage gap between black and white workers.

Explanations for Wage Inequality

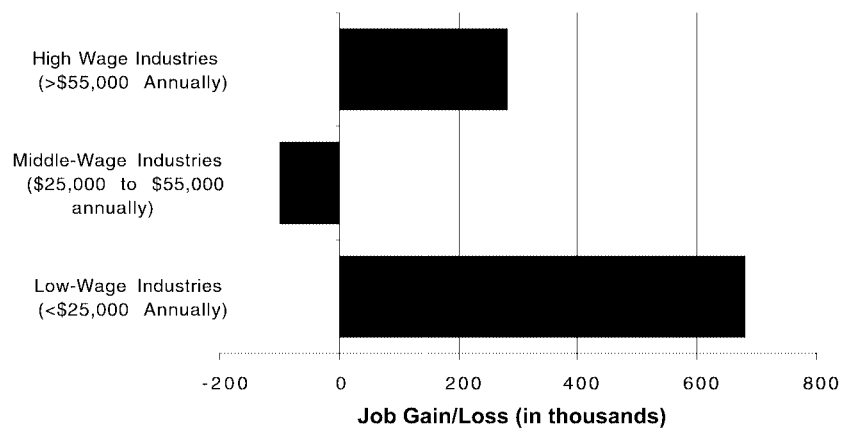
Although the labor market tightened for all workers, wages at the bottom did not increase as predicted by economic theory. Many studies have attempted to explain growing wage inequality in the U.S. and in California, creating an unresolved debate. We explore here two factors well established to have contributed to wage inequality, but do not claim that they explain the entire growing gap. First, strong growth in business services coupled with losses in well-paying, blue-collar jobs over the last ten years has led to a flood of low-wage jobs in the labor market. Also, a decline in union membership over the last decade has led to decreased bargaining power for workers to negotiate with employers.

From 1989 to 1998 middle-paying industries in California lost over 100,000 jobs while low and high-paying industries grew.

Chapter 1 of this report described how East Bay job growth was dominated in the 1990s by business service industries that pay either low-wages, such as temporary agencies, or high wages, such as computer software developers. In addition, a forty year decline of manufacturing jobs and recent military base closure decreased the supply of good paying, blue collar jobs. Some describe the result as an “hourglass” economy, bulging at the top and the bottom while slender in the middle.

The trend has been well documented nationally and in California. Figure 2.3 shows that jobs in middle-income paying industries in California have actually disappeared over the decade of the 1990s. From 1989 to 1998 industries that paid \$25,000 to \$55,000 annually lost over 100,000 jobs.³⁴ Meanwhile, industries that paid over \$55,000 annually gained almost 300,000 jobs and industries that paid less than \$25,000 annually gained nearly 700,000.

Figure 2.3: Job Gains in Low-Wage and High-Wage California Industries, 1989 through 1998



Source: California Legislative Analyst's Office

Another factor in growing wage inequality is the decline in union membership. Historically, workers in U.S. unions have made higher wages than their non-union counterparts and received more health and pension benefits.³⁵ Recently, this has been true for workers in the East Bay as well. Table 2.4 shows that wages for union members were higher both at the beginning of the 1990s (+22%) and at the end (+17%).³⁶ There is also considerable evidence that unionization has had a mitigating effect on wage inequality over the last 25 years in the U.S.³⁷

If the number of union members decreases, average wages for all workers will then fall. From 1988-90 to 1997-99, the proportion of workers covered by a union contract in the East Bay fell from 26.4% to 23%, a drop of 13%³⁸. This mirrors decreases of union coverage in California (-17%) and the larger Bay Area (-11%) from 1988-90 to 1997-99³⁹.

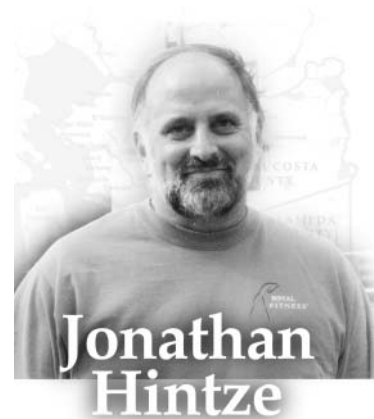
Table 2.4: Wages Higher for Union Members At Both Beginning and End of Decade

Years	Median Non-Union Member	Median Union Member	Union Wage Difference	Union % Difference
1988-90	\$14.60	\$17.79	\$3.19	21.8%
1997-99	\$15.38	\$18.00	\$2.62	17.0%

Source: Authors' Analysis of Current Population Survey, ORG Files

Finally, a number of factors can explain inequality across race. Workers of color and immigrants are often concentrated in growing low-wage industries. While black and Latino workers make up 11.7% and 10.8% of all U.S. workers, they make up 15.7% and 19.2% of all minimum wage workers.⁴⁰ As those industries expand and hire more labor, median wages of Latinos and African Americans may fall. Welfare cuts and workfare programs may augment the supply of labor with less experienced workers and lower the wages of disproportionately affected African Americans and Latinos. Residential segregation places high-paying suburban jobs out of the reach of urban residents and adds transportation barriers to those living in inner urban areas. Employers may also discriminate against workers of color when they compete with white workers for well-paying jobs.

Growing wage inequality in the East Bay has implications for working families to survive not only the bad times in the emerging global economy,



As a waiter in the Bay Area for 30 years, Jonathan has experienced how unions can make a difference for low-wage workers. The benefits he earns for his family at a unionized restaurant in the East Bay have meant that the members of Jonathan's family were able to get the medical care they needed despite the high cost of health care. Jonathan is acutely aware that most workers in his industry are not doing as well. "Long past are the days when even a non-union waiter or waitress could afford to buy a home, support their family and be a member of the middle class doing this work."

but the good times as well. Considering that wages and earnings from work constitute 70% of all personal income in the East Bay, how well workers are paid greatly affects overall family income.⁴¹ In the next section, we find that workers at the bottom were also left behind as family income grew for those in the middle and at the top.

Family Income Inequality

As with the wage gap, family income differences have grown substantially between the top and the bottom and family income ratios show growing inequality. This follows both a national and a state trend, but the gap in the East Bay is particularly dramatic—\$34,000 between families at the top and the bottom.

Income Inequality in the U.S. and California

Nationally the gap between families at the top of the income scale and families in the middle and bottom is larger now than at any point in the post-war period.⁴² From 1979 to 1999 real income for the bottom fifth of all families declined. Income for the 2nd and 3rd fifths of all families grew a modest 6% and 11%.⁴³ Family income for the top fifth increased by 42%. Almost all of the gains for those on the bottom have occurred since 1995, with the income of the bottom three fifths of families all gaining about 10% from 1995 to 1999. This marks a deceleration of growing inequality rather than a reversal—it remains that the lowest fifth of families have not seen their real incomes increase on net in the last 20 years.

Inequality in California also grew. Using income tax data, the State’s Legislative Analyst’s Office (LAO) estimated that the bottom fifth of all taxpayers lost 25% in real income from 1975 to 1998.⁴⁴ During the same time period, the top fifth gained by 66%. Analysis of income by tax returns has the advantage of capturing capital gains, which primarily go to the wealthy.

Income Inequality in the East Bay

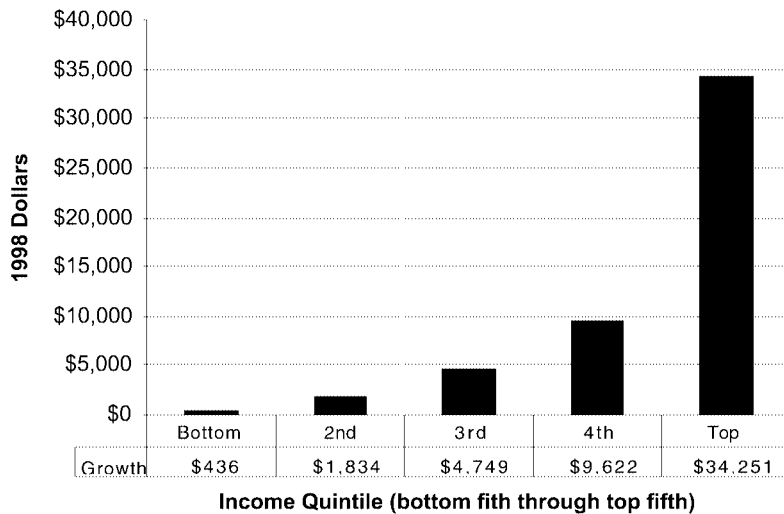
The small sample size of the East Bay in the family income data set—the Census’ Annual Demographic File (or March Supplement)—compelled us to analyze Bay Area family income instead.⁴⁵ Because our focus is on changes in the labor market, we included only families with at least one working

—————
**The bottom fifth
of all California
taxpayers lost 25% in
real income from 1975
to 1998.**
—————

person. This excludes families subsisting entirely on government assistance, retirement funds or other non-earnings income.

We found that Bay Area family incomes increased for all quintiles, although the size of the increase varied from slightly over 3 percent for the lowest quintile to almost 27 percent for the highest quintile. This translated into a stunning difference in the absolute income available to working families in each group (see Figure 2.5). The mean income of those in the lowest quintile grew by a mere \$400 (in 1998 dollars) while the mean income for the highest quintile grew by over \$34,000. Note that our data does not include capital gains income, which primarily accrue to families in the top quintiles.

Figure 2.3: Increase in Bay Area Average Family Income by Income Quintile, 1988-90 to 1997-99



Source: Authors' Analysis of Current Population Survey, March

Bay Area families at the bottom of the income scale saw an income increase of \$400 a year while those at the top gained \$34,000.

An analysis of income ratios shown in Table 2.5 indicates that income inequality between the poorest families grew more than wage inequality between high and low wage workers. The 90/10 income ratio increased by more than 16%, indicating that family incomes at the top grew further apart from those at the bottom in the 1990s. This growing disparity outpaced the 90/10 wage ratio two-fold shown in Table 2.2. Furthermore, the 7.4% increase in the 90/50 income ratio shows that the top pulled away from the middle and the 8.3% increase in the 50/10 ratio shows that the middle pulled away from the bottom.

Table 2.5: Bay Area Family Income Inequality, 1988-90 to 1997-99

Inequality Ratio	1988-90	1997-99	% Change
90 th percentile/10 th percentile (top/bottom)	8.23	9.57	16.3%
90 th percentile/50 th percentile (top/middle)	2.43	2.61	7.4%
50 th percentile/10 th percentile (middle/bottom)	3.38	3.67	8.3%

Source: Authors' analysis of Current Population Survey, March Supplement

Low-income families living in the Bay Area were simply left behind in the 1990s.

Summary

For some families, the Bay Area and East Bay economies in the 1990s provided great news. If you lived in the Bay Area and earned enough to be in the top fifth of families, your income shot up an average of 27% more. If you worked in the East Bay and earned a spot in the top fifth of workers, your wages increased by 17%. If you were white and well educated, you were more likely than others to see your wages grow. For these workers and their families the boom times were good times. For other workers and their families, the news was not as good.

Middle-income families in the Bay Area enjoyed modest gains but watched as upper-income families pulled further away. Middle wage earners in the East Bay enjoyed modest wage increases but fell further behind top wage earners. For these workers and their families, the boom times meant fair times with the hope that the strong economy would continue into the future. As we now know, the economy has flattened, and the impact on these families remains to be seen.

Finally, low-income, working families living in the Bay Area were simply left behind in the prosperity of the late 1990s. If you were among the working poor living in the Bay Area, your share of the stunning growth in income per person amounted to roughly \$400 a year. If you worked in the East Bay at a low-wage job, you gained nothing over the decade. If you were a person of color or held only a high school degree, you saw the wage gap between you and other groups grow. For low-wage workers and their families, the boom times meant a growing divide between rich and poor.

MAKING ENDS MEET IN THE EAST BAY

As the divide between working families at the bottom and those at the middle and top grows, so do the difficulties low-income families face in making ends meet in the East Bay economy. Between 1989 and 1997, poverty, as measured by the Federal threshold, increased by 15% in the East Bay. However, the Federal poverty threshold, which does not account for the Bay Area's higher housing costs, underestimates poverty in the region. The East Bay is the 7th most expensive urban area in the country for rental housing, according to the Federal government. Between 1989 and 1999, rent costs in the larger Bay Area increased 15% faster than in the U.S. and 30% faster than in Los Angeles. By 1998, one in five East Bay families paid more than 50% of their income for housing and two in five families paid more than 30% (the level at which a family is considered rent-burdened). After incorporating these housing costs into a more realistic family budget than the official poverty threshold, we found that 36% of all jobs in the East Bay do not pay enough to support a two-earner family of four without some assistance from the government.

Poverty as a Measure of Family Need

Following the late 1990s economic boom, the Federal poverty rate in the U.S. fell to 11.8%, a three-decade low. In California, however, poverty was higher at the end of the decade than the beginning. In the East Bay, the poverty rate was higher in 1997 (10.6%) than in 1989 (9.2%), but had declined from a peak in 1993. Although this trend closely follows unemployment, which dropped to an historic low by 1999, the stagnation of wages at the bottom may have prevented poverty from falling much further. Furthermore, the Federal poverty threshold does not measure true family need in high cost of living regions like the Bay Area. The number of families facing economic hardship in the East Bay is likely to be much higher than the official poverty rate estimates.

What is the Federal Poverty Threshold?

Federal poverty thresholds are designed to measure whether or not families can meet their most basic expenses with their income. Federal analysts in the early 1960s developed a rough estimate of a bare necessities family



CHAPTER 3

budget by multiplying an emergency food budget times three. The rate has been increased by the cost of living index every year, but has not been recalculated to account for the fact that housing, childcare and medical costs have been growing faster than food costs. Alternative measures developed by social scientists and the Bureau of the Census estimate that the U.S. poverty rate is roughly 30% higher, on average, than the official rate.⁴⁶

Many Federal and state government programs also recognize that the official poverty guidelines are an inadequate measure of need. Table 3.1 compares the thresholds for eligibility of several anti-poverty programs in California for a family of four persons in 2000.⁴⁷ Most are well above the official poverty rate.

Other government measurements of family hardship set much higher thresholds than the official poverty level.

Table 3.1: Eligibility Thresholds for Anti-Poverty Programs for a Family of Four in the East Bay, 2000

Program	Threshold
California Child Care Subsidies (Dept. of Education)	\$38,997
Healthy Families	\$32,900
USDA Reduced Price Lunch Program	\$31,543
Earned Income Tax Credit	\$31,152
Section 8 Housing Subsidies*	\$50,200
Food Stamps	\$22,176
USDA Free Lunch Program	\$22,165
Federal Poverty Threshold ⁴⁸	\$17,463
Medi-Cal (Medicare)	\$17,050

*Low Income Limit 4 Persons

Sources: California Department of Education; California Department of Health and Human Services; US Department of Agriculture; IRS; US Department of Housing and Urban Development; California Department of Health Services; California Legislative Analyst's Office

Despite the fact that policy makers and analysts have long recognized that the thresholds are poorly constructed, they still rely on them as the most historically consistent measure of poverty available. For this reason, we begin our discussion of family need with the official measure of poverty.

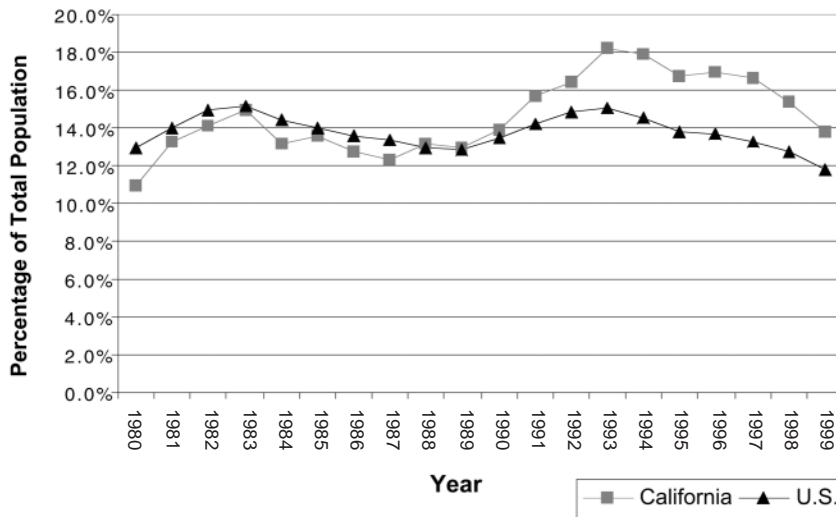
Poverty in U.S. and California

The high-employment economy of the late 1990s helped increase earnings for low-income families and thus reduced the poverty rate in the U.S. to a twenty-year low of 11.8% in 1999 (see Figure 3.1).⁴⁹ While poverty held steady around 11% and 12% during the 1970s, it spiked as high as 15% during the recessions of the 1980s and 1990s. In both decades poverty averaged 13% to 14%.

California poverty rates showed significantly less improvement. By 1999, Californians in poverty represented 13.8% of the State’s population, a full two percentage points above the U.S. average (see Figure 3.1).⁵⁰ In the 1970s and 1980s, California experienced lower poverty rates than the rest of the country, but from the late 1980s onward California’s poverty rate exceeded that of the nation. In contrast to the national trend, California’s poverty rate was higher at the end of the decade (13.8%) than it had been at the beginning (12.9%). It is important to note, though, that poverty steadily declined from 1995 to 1999, in response to the stronger economy.

California’s poverty rate was higher at the end of the decade than the beginning.

Figure 3.1: Federal Poverty Rates in the U.S. and California, 1980 to 1999



Source: U.S. Census Bureau

Poverty Increases in the East Bay

By 1997, two years into the Bay Area recovery from the recession, poverty in the East Bay was still higher than it had been in 1989.⁵¹ Like the rest of California, the East Bay’s poverty rate had fallen from a peak in 1993. The East Bay appeared to be doing better than California according to this indicator; the poverty rate was six percentage points lower than that of the state as a whole. However, this may reflect the inability of the Federal poverty measure to capture the higher cost of living in the Bay Area rather than an actual difference in poverty.

By 1997, two years into the Bay Area recovery from the recession, poverty in the East Bay was still higher than it had been in 1989.

Table 3.2 shows that poverty in the East Bay followed the same general pattern as California, peaking in 1993 during the heart of the recession, and declining slowly through 1997. It is likely that as unemployment continued to decline from 1997 through 1999, poverty in the East Bay also declined further. However, the rate would have had to decline another 1.4% to make up for the ground lost over the course of the decade. A higher East Bay poverty rate at the end of the decade than at the beginning would be consistent with the larger California poverty trend.

Table 3.2: Poverty Rates in California and the East Bay

Area	1989	1993	1997	% Change 89-97
California	12.9%	18.2%	16.6%	+28.7%
East Bay	9.2%	11.0%	10.6%	+15.2%

Source: U.S. Census Bureau

Although poverty increased in both California and the East Bay over the last decade, the difference between the two grew substantially—from 3.7 percentage points in 1989 to 6.0 points in 1997 (see Table 3.2). This growing difference suggests that families in the East Bay are better off than families in Los Angeles or the central valleys. However, problems in how poverty is measured may greatly exaggerate the differences.

At least some of the difference can be accounted for by the higher cost of living in the Bay Area (and East Bay) compared to California as a whole. Poverty is designed to be a relative measure that compares income to expenses. However, the Federal poverty thresholds are exactly the same for the Central Valley of California as for the Bay Area despite the fact that

expenses are higher in the Bay Area. Thus, if we compare lower national expenses (on which the poverty rate is based) to higher Bay Area incomes, the Bay Area poverty rate seems low.

In the next two sections we will discuss other ways of measuring family need in the East Bay. First, we discuss the magnitude of housing costs, the largest cost for low-income families. Then, we show that an alternative comparison of income to expenses reveals a more realistic, but more distressing, picture than the Federal poverty thresholds.

Soaring Housing Costs Cut Deeply Into Income Gains

Housing costs in the Bay Area and the East Bay have skyrocketed in recent years, increasing an already large gap between the region and the rest of the country. While the East Bay housing market remained more reasonable than San Francisco and San Jose, increasing costs created a major burden on working families' budgets by the end of the decade. Despite the fact that East Bay has one of the highest per person incomes in the country, one out of five East Bay renting families pay more than 50% of their budgets for housing.

High Housing Costs Rise Higher

By 1999, rent costs in the Bay Area had risen 15% faster than the U.S. and 30% faster than Los Angeles. Median home prices in the East Bay had also risen faster. These increases occurred in a housing market more expensive than other major urban areas.

The Bay Area and the East Bay have historically experienced higher home costs than the rest of California and the U.S. In 1990, median home prices in the East Bay were \$231,000 compared to \$194,000 in California and \$92,000 in the U.S.⁵² By 1999, median home prices in the East Bay (\$315,000) had risen even higher above California (\$222,000) and the U.S. (\$133,000)⁵³.

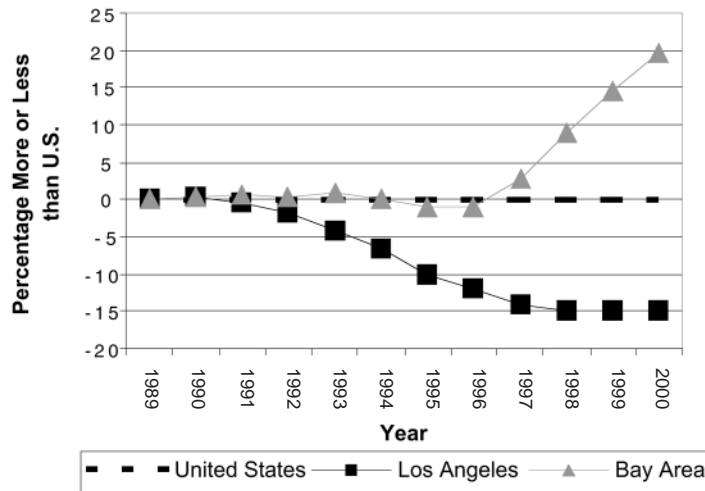
Rental housing costs, which are more likely to affect low-income persons than home prices, have also increased dramatically. Figure 3.2 shows the rent component of the "Consumer Price Index" (CPI) for the Bay Area, the U.S. and Los Angeles from 1989 to 2000.⁵⁴ The figure does not show the absolute growth of rental housing prices, but rather shows the growth of



As a full time student, Felicia is struggling to build a better future for her three children by becoming a Nutritionist. She works the maximum number of hours allowed by her educational grant, earning \$7.33 an hour, yet she and her family would be homeless if it weren't for \$900 in monthly public assistance that she receives by living in Section 8 housing.

Bay Area and Los Angeles rental costs relative to growth in U.S. rental costs. From 1989 to 1999, the cost of rental housing in the Bay Area increased nearly 15% faster than in the U.S and 30% than Los Angeles.⁵⁵ By the year 2000, it had increased 20% faster.

Figure 3.2: Rental Housing Inflation Rises Fastest in Bay Area, 1989-2000

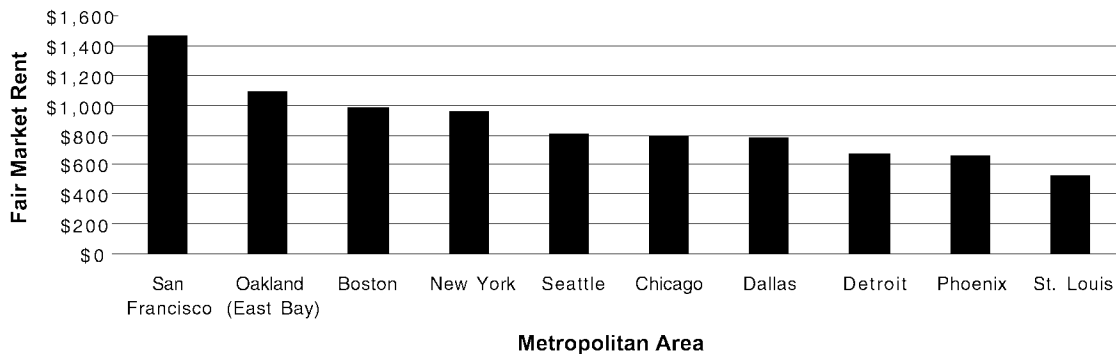


Source: Bureau of Labor Statistics

From 1989 to 1999, the cost of rental housing in the Bay Area increased nearly 15% faster than in the U.S.

Low-income rental apartments are more expensive in the East Bay as well. This can be measured by the U.S. Department of Housing and Urban Development’s (HUD) “Fair Market Rent” index, a cost threshold used to determine if an apartment is eligible for Section 8 housing subsidies. The threshold is determined by identifying the 40th percentile rent of all safe and decent housing in a specific urban region. Figure 3.3 shows that by the end of the decade, the East Bay’s fair market rent for a two-bedroom apartment was higher than most major metropolitan areas in the U.S.⁵⁶ Only six other urban areas are more expensive (three of which are neighboring counties in the Bay Area).⁵⁷

Figure 3.3: Fair Market Rent for 2 Bedroom Apartments, Selected Major U.S. Metropolitan Areas, 2001



Source: U.S. Department of Housing and Urban Development, 2000

Only 27% of Bay Area families can afford to buy a median priced home.

Families Face High Housing Cost Burden

Housing is one of the largest expenditures for low-income families and can dramatically affect how much money is spent on other necessities. Table 3.3 shows the difficulty families face in paying for housing in the Bay Area and East Bay through several indicators of housing affordability.⁵⁸

Only 27% of Bay Area families can afford to buy a median priced home. Home ownership is far more out of reach to working families in the Bay Area than in Los Angeles and the U.S. where 39% and 55%, respectively, can afford to buy a median priced home. A home is considered affordable by lending industry standards if the monthly payments comprise 30% or less of a family's monthly income.

The rent burden is also high for many East Bay families—two in five renting families spend 30% or more of their income on rent and one in five spend more than 50%. To afford the median priced two-bedroom apartment required an annual income of \$46,200 in 2000. Compare this to the poverty threshold for a family of four of \$17,761. A worker would need to make \$22.16 an hour, working full time, to pay for a median-priced apartment.

Table 3.3: Housing Affordability in the Bay Area and East Bay

Rent Burden in East Bay (1998)	
Proportion of renters paying more than 30% of their income for housing	43%
Proportion of renters paying more than 50% of their income for housing	22%
Proportion of families that can afford to buy median priced home (1999)	
Bay Area	27%
Los Angeles	39%
United States	55%
How much income does a family need to afford a median priced, 2-bedroom rental apartment in Oakland?	
Annual earnings needed (2000 dollars)	\$46,200
Hourly wage needed, working full time (2000 dollars)	\$22.16

Source: California Budget Project

Because regional differences in the cost of living are not accounted for in the Federal poverty thresholds, poverty in areas such as the Bay Area will be significantly underestimated. Some analysts in California have used a multiplier of the poverty threshold, such as 150% or 200% of poverty, to account for higher costs of living than the rest of the U.S.⁵⁹ But even this measure may be misleading in the Bay Area, as the Federal poverty measure does adjust for higher housing costs in the Bay Area relative to California. To measure family need, we turn to an alternative analysis of need—the family self-sufficiency budget.

Basic Family Budget Analysis Shows Few Jobs Can Support Working Families

According to an alternative assessment of family need, a “basic family budget,” a Bay Area single parent raising two children needed to earn \$21.24 an hour in 1999 to make ends meet without government assistance. Yet, 63% of all jobs in the region paid less than this wage. In a two-earner family with two kids, both parents needed to make at least \$12.92 to make ends meet. However, 36% of all jobs paid less than this wage. Despite the booming economy in the late 1990s, East Bay families struggled to make ends meet; and this has troubling implications as we face an uncertain economic future.

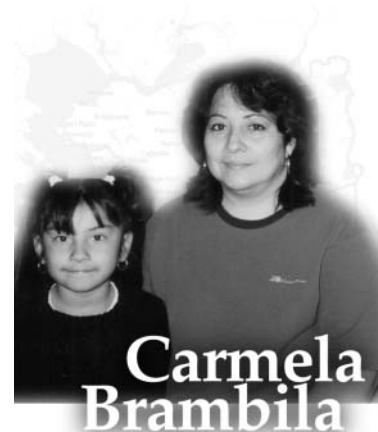
What is a Basic Family Budget?

Welfare reform and renewed concern about working poverty have led to a growing literature on basic family budgeting, an attempt to define an

adequate family income based on real expenditures.⁶⁰ Basic family budgets consider the cost of child-care, health care, transportation, food, housing, and taxes. Because they are based on locally specific data, they can more accurately reflect cost of living differences. As they do not typically include government assistance programs, such as food stamps, the Earned Income Tax Credit and other income assistance, they represent what a family needs to earn without help from the government.

The California Budget Project (CBP), a non-partisan policy organization, has calculated basic family budgets for major urban and non-urban regions of California, including the Bay Area.⁶¹ Three family types are considered—single parent with two children, two adults with two children (one adult working) and two adults with two children (both adults working). The costs included reflect a bare bones, “no frills” budget, with no savings, education or entertainment spending.

Table 3.4 shows that two parents raising two children in the Bay Area required at least an income of \$36,500 in 1999, assuming that one parent stays home to care for the children. This translates into a full-time, year round job wage of \$17.56. A single parent needed to work full time at a wage of \$21.24 to cover child-care and make ends meet with an annual budget of over \$44,000. Finally, two working parents needed to earn \$12.92 an hour each to pay for nearly \$54,000 of basic family needs. This is lowest wage on which a family of four could be self-sufficient in 1999, without government assistance.



Carmela works 80 hours a week as an in-home support services care-taker. Even with social security benefits for her children (due to her husband's incapacitating condition), their family often has just enough for rent and food. Carmela can't afford medical care for herself, and in the past six years, has only been able to take one day off. Carmela must constantly look for ways to save money, and only cooks once a day to lower her gas bill.

Table 3.4: Basic Family Budget for the Bay Area (1999 Dollars)

Basic Needs	Single Parent + 2 Children	2 Parents (1 working) + 2 Children	2 Working Parents + 2 Children
Housing/Utilities	\$827	\$1,035	\$1,035
Child Care	\$1,106	\$0	\$1,106
Transportation	\$244	\$244	\$244
Food	\$382	\$583	\$583
Health Care	\$255	\$390	\$390
Miscellaneous	\$311	\$379	\$379
Taxes	\$556	\$412	\$741
Monthly Total	\$3,681	\$3,043	\$4,478
<i>Annual Total</i>	<i>\$44,172</i>	<i>\$36,516</i>	<i>\$53,736</i>
<i>Wage, if Full Time Worker</i>	<i>\$21.24</i>	<i>\$17.56</i>	<i>\$12.92</i>

Source: California Budget Project



Martin & Silvia Barajas

Martin and Silvia work relentlessly to provide their children with basic necessities. They are both short order cooks, working 10 hours a day, six days a week, at \$8.25 an hour with no benefits. Making ends meet for their family of seven takes all of their earnings, with nothing left for savings, and leaves them with almost no time for their children. "All of us who work so much," says Silvia, "we're killing ourselves every single day. If I could change one thing it would be simply more pay and less work."

East Bay Jobs Do Not Pay a Basic Family Wage

To show a more realistic picture of how many families are not making ends meet in the East Bay, we use the basic family budget idea to determine how many jobs do not pay enough to support a working family. Ideally, we could assess how many families actually had income less than the basic family budget line. However, the basic family budget is a newer tool and the full range of family types that compares to the Federal poverty threshold have not been mapped out. Instead, we estimate the proportion of workers that make less than the basic family wages shown in Table 3.4.

Table 3.5 shows that 69% of East Bay workers in 1997-99 did not earn enough for a single worker to support him/herself and two children, or \$21.24. Over half of all workers did not make enough to support a one-earner family of four. Over one out of three workers did not make enough to support a two-earner family of four.⁶² It should be noted that all of the workers in this analysis live in the East Bay but do not necessarily work in the East Bay.

In the case that many East Bay residents do not actually work in the East Bay, we also determined what proportion of jobs available in the East Bay paid a basic family wage. Table 3.4 shows that the proportions of East Bay

jobs paying less than basic family wages are remarkably similar to the proportions of East Bay residents earning less than the same wage. Two in three jobs do not pay a basic family wage for a single parent to support two children; over half of all jobs do not pay enough for a single-earning adult to support a family of three; and over one in three jobs do not pay enough for two working parents to support two children.

Table 3.5: Proportion of Workers and Jobs at Less than a Basic Family Wage (1999 dollars)

Family type	Official Federal Poverty Line	Basic Family Budget*	Basic Family Wage	Percentage Below Basic Family Wage	
				East Bay Workers**	East Bay Jobs ***
1 working adult, 2 children	\$13,003	\$44,172	\$21.24	69%	65%
1 working adult, 1 non-working adult, 2 children	\$16,660	\$36,516	\$17.56	57%	54%
2 working adults, 2 children	\$16,660	\$53,736	\$12.92	36%	36%

Sources: *California Budget Project; ** Current Population Survey, Outgoing Rotation Group; ***CA Employment Development Department

Summary

Income for families at the bottom fifth of all working families increased fractionally or not at all over the 1990s. At the same time, the cost of living, driven by soaring housing prices, grew swiftly. By 1997, this meant that the East Bay had more persons in poverty than in 1989. And at the end of the decade, at least one out of three workers raising a family with two children were not making a basic family wage. As the wage and income divide grew over the 1990s, making ends meet only became more difficult for families at the bottom. We ended the decade with low-income working families having made little or no progress at all while those at the top had much to celebrate.

DISCUSSION
&
RECOMMENDATIONS

As this report is written in the Summer of 2001, the U.S. economy is fluctuating and may be headed towards recession. If the economy turns down or remains in a state of flux, unemployment will rise and bargaining power for low-wage workers will erode. Under this scenario, it seems likely that wages will continue to stagnate or fall for the bottom fifth of workers.

At best, the economy will recover and resume a similar level of growth as in the late 1990s. However, the experience of the past decade as described in this report calls into question whether continued economic growth would significantly benefit low-wage workers and their families. During the economic “miracle” of the 1990s, wages stagnated, poverty grew and housing costs soared for the working poor in the East Bay. Given these facts, we must ask if any level of economic expansion—even the unsustainable levels we just experienced with the “bubble” economy—is sufficient to create greater prosperity at the bottom as well as at the top.

If growth alone is not sufficient to ensure greater economic equity, then what is required? Below we discuss some of the key challenges confronting the East Bay’s low-wage workers and their families and propose some solutions. Some of these solutions—for example, increased job training—are being actively pursued by policy makers. Others, like promoting the rights of workers to organize and collectively bargain, are frequently left out of policy considerations. We believe that the challenges facing low-wage workers in the changing economy are multifaceted and require a comprehensive strategy to address them.

Our list is by no means exhaustive. However, we hope that it will serve as a starting point for discussion and debate amongst decision makers and stakeholders in the economy, particularly low-wage workers and their advocates.

Three key issues East Bay workers face in the low-wage job market:

1) The labor market, both in the East Bay and in the U.S. as a whole, is increasingly two-tiered, with more jobs being created at the bottom and top of the wage scale and fewer jobs in between. Over the past decade, this trend has meant that wage gains have bypassed a large proportion of workers, even as the economy has become more productive.

Solution: Make Work Pay.

2) Sharply escalating housing and cost of living increases in the East Bay have made making ends meet more and more difficult for low-wage workers and their families.

Solution: Make Ends Meet for Working Families.

3) Some East Bay workers, particularly workers of color and those with less education, are experiencing greater economic hardship than others.

Solution: Promote Access to and Fairness in Employment.

Make Work Pay

The recent success of living wage campaigns across the country point to an enduring belief by the U.S. public and its officials that people who work hard should be rewarded by a decent quality of life. The popularity of minimum wage increases and the Earned Income Tax Credit, a tax break for the lowest paid workers, also bear this out. In order to raise workers out of poverty and into self-sufficiency, we must ensure that wages pay enough to support a family. Government income support programs, while providing a vital “safety net,” would have to be expanded to a massive degree in order to end poverty. Ensuring that jobs pay an adequate wage also ensures that workers and their families can thrive without having to rely on public assistance. We recommend three areas of policy improvement:

Adopt Policies that Increase Wages

Thirty years ago, the Federal minimum wage guaranteed a decent minimum standard of living for full time workers. However, after years of losing ground to inflation, it now guarantees a below poverty income—\$10,712—for a family with a single earner working full time. By 2002, California will have raised its minimum wage to \$6.75 per hour, the second highest in the country⁶³. Even so it will stand over 20% lower, in real dollars, than the minimum wage in 1968.

In the last seven years, dozens of local governments across the country have recognized the inadequacy of the Federal minimum wage by adopting “living wage” laws. Living wage laws require private firms benefiting from public resources to pay a wage that, at the very least, will prevent a family

By 2002, California’s newly increased minimum wage will remain 20% lower, in real dollars, than in 1968.

from living in poverty. This trend is a response not only to the falling minimum wage, but also to a growth over the last 20 years in the use of contracted services as a means to cut budgets. Many city officials have decided that budget cutting should not lead to poverty jobs. They have also acknowledged that when families fail to make ends meet, local, state and Federal programs have to make up the shortfall, effectively “robbing Peter to pay Paul” and rendering budget savings a fiction.

With inequality on the rise over the last 30 years in the U.S. and only slight or no gains at all for workers, even in a tight labor market, state and Federal minimum wage standards should be raised to ensure working families are not living in poverty. Locally, cities, counties and other public agencies should adopt living wage policies to begin to address this problem.

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California local governments have heavily subsidized development in the retail and hotel sectors which generate large numbers of low-wage jobs.
—————

Encourage Creation of Good Paying Jobs

State and local governments across the U.S. spend billions of dollars each year to attract businesses and jobs to their areas. Study after study has shown that tax incentives and financial assistance are far down the list of reasons for firm relocation, but governments still feel they must compete for business investment.⁶⁴ In California this competition is made worse by property tax caps enacted by Proposition 13 and subsequent amendments. Without the ability to raise property taxes, California local governments have subsidized development in the retail and hotel sectors to generate local tax revenue. Unfortunately, these sectors also generate large numbers of low-wage jobs. Except for a few cities that have passed living wage laws, most local governments do not require wage or benefit standards for jobs created through public subsidies. Furthermore, they rarely ensure that promises made by subsidized businesses to create certain numbers of jobs or not to relocate are actually enforced.

California State tax laws should be changed to remove perverse incentives that encourage low-wage job creation. Both State and local government economic development programs should prioritize creation of good paying jobs, especially for low-skilled workers. Local governments should also incorporate job standards and accountability measures into subsidy agreements with developers.

Remove Barriers to Worker Organizing

One means of making work pay more is to remove barriers that prevent workers from exercising their right to join a union. Union membership in the U.S. has declined sharply over the last 30 years, due in large part to the loss of blue-collar manufacturing jobs. Workers in the largely non-union service sectors have only begun to organize in earnest in the last ten years. As demonstrated in this report, East Bay unionized jobs—like those nation-wide—pay higher than non-union in the same sector. Union jobs are also more likely to provide health and pension benefits. Small wonder, then, that 52% of U.S. workers believe they would be better off represented by a union⁶⁵.

However, they are rarely given such a choice, due in large part to decades of erosion of national labor law. Since passage of the National Labor Relations Act (NLRA) in 1935, which created core rights and protections that allow workers to bargain collectively with employers, court decisions and administrative rulings have weakened many of those laws. Under a weakened NLRA, employers can and do act ruthlessly to prevent workers from joining unions, resulting in an over 50% failure rate among organizing campaigns. Employer violations of labor law and legal challenges to elections are often resolved years later, long after an organizing drive is defeated.

National immigration law also undermines both the freedom of workers to organize and minimum labor standards. The current regime of “employer sanctions” (workplace enforcement of immigration laws) does not effectively prevent unscrupulous employers from knowingly hiring undocumented workers or violating wage, hour, safety or anti-discrimination laws. However, if workers take collective action or assert their legal rights individually (e.g., by filing complaints with government agencies), employers can take advantage of the law to threaten to or actually discharge workers by suddenly “discovering” their undocumented status. Given the large numbers of immigrant workers in California’s service sector industries, these commonly used tactics have created a major barrier to worker organizing and led to the creation of sweatshop conditions in these industries.

Federal labor law should be amended to minimize intimidation by employers in an organizing drive and to create a simpler election process that curbs endless legal challenge. Immigration law, and related labor standards laws,

**Federal immigration
and labor laws
undermine workers’
rights to organize.**

should be amended to protect the rights of all workers, regardless of documentation status.

While much of the change in worker protection policy must take place at the Federal level, local governments have taken some effective steps to this end. “Labor peace” policies for publicly subsidized development projects and project labor agreements for public construction protect a local government’s investment by ensuring that labor-related disruption is minimized. They also promote the creation of high-wage jobs by ensuring that there is a fair and non-combative process for workers to decide issues of union representation.

—————
**The East Bay will
need an additional
25,000 units of
low-income housing
in the next five
years alone.**
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Make Ends Meet for Working Families

Raising wages and improving worker protections are essential to any strategy for improving the well-being of working families in the East Bay. However, in the face of a soaring cost of living, even workers holding jobs once considered to be family-supporting can find themselves coming up short when it is time to pay the bills. Local and state governments can help bridge the gaps for these workers in a number of important ways.

Create More Affordable Housing

The East Bay, like the rest of the Bay Area, is confronting a crisis of affordable housing. Although both rent and home prices are declining slightly from their peaks in 2000 as of the writing of this report, the shortfall of affordable housing is still acute.

The East Bay population grew by 15% from 1990 to 2000, while housing units grew by only 8.6% and family size remained the same.⁶⁶ Furthermore, demand for low-income housing will continue to grow at a fast clip. According to the Association of Bay Area Governments (ABAG) the East Bay will need an additional 25,000 units of low-income housing in the next five years alone, a goal shared by both suburban and inner urban cities.⁶⁷ If the current shortage of housing persists, increases in housing prices could outpace any income gain for working families. If the growth in economic inequality continues into the next decade, the housing shortage will cut more deeply into family budgets.

East Bay local governments should implement as swiftly as possible their State-required, low-income housing plans by creating incentives for affordable housing construction.⁶⁸ Key policies to accomplish this include removing zoning constraints for multi-family housing, providing local matching funds to leverage state and federal dollars and partnering with non-profit agencies, which are the primary producers of affordable housing in the Bay Area.

Protect the Supply of Affordable Rental Housing

In a city such as Oakland, where nearly 60% of residents rent their homes⁶⁹, a lack of protections for renters is a major factor driving housing inflation. During overheated housing markets, landlords and real estate developers have a tremendous incentive to evict low-income renters, develop properties and move in more affluent tenants. High demand for rental housing in Oakland has resulted in a 300% increase in evictions observed by fair housing agencies from 1998 and 1999.⁷⁰ Other East Bay cities have even fewer renter protections. Policies such as rent control and “just cause” eviction can reduce the possibility of and financial incentives for this type of displacement and subsequent escalation in housing costs.

High demand for rental housing in Oakland has resulted in a 300% one-year increase in evictions.

Create a California Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a Federal program that refunds income tax to low-income working families. The EITC has become the largest Federal program targeted to the working poor, providing 2.4 million Californians with \$3.8 billion in returns in 1998.⁷¹ The tax credit returned up to \$3,888 for families with two or more children in 2000. A number of studies have shown that the EITC is effective in helping single parents enter and stay in the workforce.⁷²

Fourteen states have complimentary ETIC programs but California does not. California should adopt an EITC that provides tax relief to the low-income families who experience the heaviest burden from state and local taxes.⁷³

Promote Access to and Fairness in Employment

As this report demonstrates, during the 1990s the burden of low-wage poverty fell most heavily on the shoulders of workers of color and workers

with less education. While there is obviously considerable overlap between these groups, many workers of color have had to struggle to achieve economic gains even when they have some advanced education.

Strategies to improve conditions for low-wage workers, including the policy recommendations discussed above, will have a disproportionate benefit on African-American and Latino workers. For example, a UC Berkeley Center for Labor Research and Education study on the impact of a proposed living wage policy at the Port of Oakland showed that while workers of color made up 73% of the total labor force connected to the Port, they were 85% of the workers who would benefit from living wage requirements⁷⁴. Unfortunately, the shifting legal ground of affirmative action law in California and nationally makes it unclear what more focused steps local governments may take to overcome historic discrimination and economic inequality for workers of color.

Strategies to improve conditions for low-wage workers will disproportionately benefit African-American and Latino workers.

However, public agencies can take targeted and effective measures that improve conditions for these sectors of the workforce. Local governments can promote access for workers of color and workers with limited education to high-wage, high-growth jobs in the technology and construction trades by augmenting or directing Federal funds for workforce development and investment. Federal, state and local governments can vigorously enforce compliance with existing anti-discrimination laws and policies, particularly for businesses that benefit from public resources. Finally, local governments in cities with high concentrations of poverty, such as Oakland and Richmond, can pass local hiring policies, which require that residents receive preference and support services in order to access family wage jobs created by economic development projects in these areas.

Summary

Economic growth alone has proved insufficient to improve the lives of working families at the bottom. We need a new prescription for shared prosperity. We believe that making work pay, making ends meet for working families and promoting access to and fairness in employment can ensure that economic growth benefits the low-wage workers who are helping to create it.

APPENDIX A

Table A.1: East Bay Job Growth By Industrial Sector, 1983-1999

Industrial Sector	1983	1989	1999	Job Change 83-89	Job Change 89-99	% of All Job Change 83-89	% of All Job Change %89-99
Goods Producing	134,600	159,900	180,400	25,300	20,500	15.1%	13.6%
Mining	1,800	3,600	2,400	1,800	-1,200	1.1%	-0.8%
Construction	35,200	45,500	60,400	10,300	14,900	6.1%	9.9%
Manufacturing - Durable Goods	49,600	58,600	70,800	9,000	12,200	5.4%	8.1%
Durable Goods - Non-Durable	48,100	52,200	46,800	4,100	-5,400	2.4%	-3.6%
Service Producing	554,600	697,300	827,600	142,700	130,300	84.9%	86.4%
Transportation & Public Utilities	43,000	57,200	63,300	14,200	6,100	8.5%	4.0%
Wholesale Trade	39,600	51,200	67,100	11,600	15,900	6.9%	10.5%
Retail Trade	132,300	161,100	164,100	28,800	3,000	17.1%	2.0%
Finance, Insurance & Real Estate	39,800	54,100	57,000	14,300	2,900	8.5%	1.9%
Services	149,100	209,000	303,000	59,900	94,000	35.7%	62.3%
Government	150,900	164,600	173,000	13,700	8,400	8.2%	5.6%
Total All Jobs	689,200	857,200	1,008,000	168,000	150,800	100.0%	100.0%

Source: Oakland MSA Annual Average Labor Force and Industry Employment, California Employment Development Department.

APPENDIX B:
METHODOLOGY

The original analysis presented in this report is based on data from the Current Population Survey (CPS). The CPS is a monthly survey of about 50,000 households conducted by the Bureau of the Census for the Bureau of Labor Statistics. The CPS is the source for official U.S. government statistics on unemployment, unionization, household income and employee earnings. Questions on union status, weekly earnings and hours worked per week are included in an “earnings supplement” and asked of one quarter of the sample each month. This monthly supplement is called the “outgoing rotation group” or ORG. Additionally, the Census Bureau attaches a supplement to the monthly survey in March of each year titled the “Annual Demographic Survey,” which asks questions about household composition, income and educational attainment. We refer to this simply as the March supplement.

Because the CPS is designed to estimate trends for the entire U.S., the number of people surveyed in a single metropolitan area, like the East Bay, is small. Smaller survey responses increase the margin of error when estimating averages and trends over time, especially for subgroups within the sample (e.g., subgroups by race, education, etc.). For most of our results, the margins of error are on the order of 2% to 4%. This means that we cannot be confident when we estimate a change less than 4% that the true change in the population was different from zero. For the highest wage or income subgroups analyzed, e.g., the top wage quintile or white workers, variance is large and the margins of error are on the order of 4% to 7%. However, for these highest earning groups, the reported changes are all substantially larger than the margin of errors.

Below is a description of how we used data from the two CPS instruments.

Outgoing Rotation Group (ORG)

The CPS ORG is the best source of wage data for analysis. Unlike the March Supplement, it asks specifically for recent hourly wages and weekly earnings. We used ORG data to create analysis found in Tables 2.2, Table 2.3, Table 2.4, Figure 2.1, Figure 2.2, and Table 3.4.

In order to obtain an adequate sample size for the East Bay, we pooled three years of the CPS ORG data for time periods at the beginning and end of the 1990s. We first merged the twelve monthly files for each year to create a

single year file. Then, we combined the yearly files 1988, 1989 and 1990 into one data set and combined the yearly files 1997, 1998 and 1999 into a second data set. Finally, the Census Bureau interviews households for the ORG two years in a row. In order to not duplicate households in the pooled data, we only used one year of observations for each household. Our sample sizes were 2,866 for the 1988-90 data set and 3,769 for the 1997-99 data set.

In order to focus on the market price for adult labor in the East Bay, we excluded the following persons: anyone under 18 years of age; self-employed persons; and persons reporting less than \$1 an hour in wages (presumed to be an error). We used reported hourly wages for hourly workers. For salaried employees, we calculated a wage by dividing usual weekly earnings at the main job by usual hours worked at the same job. We weighted each observation by the Census' ORG weight.

A CPS practice called top-coding presents a challenge to analyzing wage and income data available to the public. To guard the privacy of high-earning respondents, the CPS does not report earnings above a set wage or income cut-off. Instead, these respondents are assigned the cut-off amount, called a top-code. For example, in 1988 individuals making \$1000, \$2000 or \$3,000 a week are assigned \$999 for weekly earnings. Thus, the values at the top end of the distribution appear to be much lower than they actually are and result in lower than actual means. We correct this problem by using an estimation technique developed by the Economic Policy Institute to establish the average values of the top-coded values. The technique assumes that the distribution in the high earnings group (in our case, the top 20% of wages or income) is drawn from a pareto distribution. We use observations that aren't top-coded to estimate the pareto distribution, then use that estimated distribution to predict a mean wage for observations above the top-code. Each top-coded observation is then assigned the mean wage, which is calculated separately for each year. For a full discussion of the technique, see Appendix A of *The State of Working America 2000/2001*, listed in the references section of this report.

March Supplement

The CPS March Supplement is the best available source for income data, as the CPS ORG asks only questions about hourly or weekly earnings. Due to the smaller sample size of the CPS March Supplement (about 1/3rd the size of one year's merged CPS ORG), we analyzed certain trends in the report for the entire Bay Area as a proxy for trends in the East Bay. Data from the March CPS pooled surveys were used for income analysis in Table 2.4, Figure 2.3 and for the estimates of educational attainment by race in Chapter 2.

We obtained an adequate sample size for analysis by pooling three years of March CPS data for both time periods at the beginning and end of the 1990s. The beginning of the decade pool included data from survey years 1989, 1990 and 1991 (which reported income for the years prior, 1988 through 1990). The end of decade pool included the survey years of 1998, 1999 and 2000 (which reported income for 1997 through 1999). Like the ORG, the March supplement is administered two years in a row to each household. In order to not duplicate households in the pooled data, we only used one year of observations for each household. The total sample sizes for the beginning and end of decade periods were 4,633 and 4,549, respectively.

We chose to estimate incomes for Bay Area families that had at least one working adult in order to focus on income changes related to the labor market. As non-working families report only income from government programs or pensions, their inclusion would factor in influences that are not directly tied to the labor market. Limiting family income to working families also allows for a stronger tie to our analysis of East Bay wages, which only includes working adults. There are 1,662 working families in the pooled 1988-90 data set and 1,654 families in the 1997-99 set.

The Census Bureau defines a "family" as a group of related individuals living in the same household. However, for purposes of family income and poverty estimations, the Census Bureau considers single, unrelated individuals each as a "family." For example, two people in an unmarried professional couple would each be considered a "family," and their income reported separately for poverty analysis.

Family income from the CPS March Supplement includes the following sources: earnings, unemployment insurance, workers' compensation, social security, supplemental security, public assistance, veterans' payments, survivor benefits, disability benefits, pension or retirement income, interest, dividends, rents, royalties, estates, trusts, educational assistance, alimony, child support, other financial assistance and other income (see U.S. Census Bureau, Money Income in the United States: 1996, P60-197, September 1997).

It should be noted that income accounted for by the CPS, called "money income," does not include some important sources of total income. Because the CPS asks about income before taxes, it does not include tax credits for earned income, education or childcare. The EITC can provide a substantial boost to low-income families and its absence causes an underestimation of income for low-income families. CPS income data also does not include fringe benefits, such as employer provided health and child-care, or unrealized income such as capital gains. The absence of capital gains causes an underestimation of primarily middle and upper-income families. The absence of fringe benefits causes an underestimation of income depending on the distribution of those benefits among low, middle and upper income families. Because our analysis estimates changes in the income gap between levels of income rather than the actual average income, we believe that inclusion of these other incomes would not change our conclusions about growing inequality.

Accounting for Inflation

All trend figures are in constant dollars. For pooled CPS data, we inflated or deflated all dollar amounts to 1998 dollars using the Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-San Jose-Oakland Consolidated Metropolitan Statistical Area.

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RESOURCES

Further information on specific issues discussed in this study can be obtained by contacting the East Bay Alliance for a Sustainable Economy or the following organizations.

California Economic and Employment Trends

California Budget Project: Provides Californians with a source of timely, objective and accessible expertise on state fiscal and economic policy issues affecting low-income people and families. Website, www.cbp.org; phone (916) 444-0500.

Center on Policy Initiatives: Center for Policy Initiatives was established in 1997 to promote higher standards of living for poor and moderate-income families in San Diego through research, policy development, public education and effective advocacy. Website, www.onlinecpi.org; phone (619) 584-5744.

Los Angeles Alliance for a New Economy: Los Angeles-based research, policy and advocacy organization that has published a number of reports on economic trends in the Los Angeles region. Website, www.laane.org; phone (213) 486-9880.

University of California at Berkeley Center for Labor Research and Education: CLRE brings together faculty from several academic departments and supports multi-disciplinary research about labor and employment relations. Website, ist-socrates.berkeley.edu/~irr; phone (510) 642-5452.

Working Partnerships USA: Working Partnerships USA is a non-profit organization dedicated to rebuilding the link between regional economic development and community well-being and developing state and national workforce development and employment policy that truly benefit working families. Website, www.atwork.org; phone (408) 269-7872.

U.S. Economic and Employment Trends

Economic Policy Institute: The Economic Policy Institute stresses real world analysis and a concern for the living standards of working people, and it makes its findings accessible to the general public, the media, and policy makers. Website, www.epinet.org; phone (202) 775-8810.

Center on Budget and Policy Priorities: A research organization working on fiscal policy issues and issues affecting low- and moderate-income families and individuals. Website, www.cbpp.org; phone (202) 408-1080.

Housing Issues

East Bay Housing Organizations: A non-profit collaborative of housing advocates, residents, developers and providers. Phone (510) 663-3830.

Housing California: Housing California is focused to build support for policies and programs that expand the availability of affordable housing, health care, education, and community economic development opportunities. Website, www.housingca.org; phone (916) 491-1700.

Immigration and Workers' Rights

Labor Immigrant Organizing Network: Bay Area-based network of labor and community organizations advocating for reform of immigration and labor laws. Website, ist-socrates.Berkeley.edu/~irr/clre/lion.shtml; phone (510) 642-0323.

National Immigration Law Center: The Center conducts policy analysis and impact litigation and provides publications, technical advice, and trainings to a broad constituency of legal aid agencies, community groups, and pro bono attorneys. Website, www.nilc.org; phone (213) 639-3900.

National Network on Immigrant and Refugee Rights: The Program aims to involve, support, and empower immigrant communities to address the critical issues in their neighborhoods and workplaces. Website, www.nnirr.org; phone (510) 465-1984.

U.S. Workers and the Right To Organize

California Labor Federation, Communications Department: Statewide labor federation represents 2.1 million AFL-CIO affiliated union members in California. Website, www.calaborfed.org; phone (415) 986-3585.

AFL-CIO, Communications Department: National labor federation representing 13 million union members in the United States. Website, www.aflcio.org; phone (202) 637-5000.

Human Rights Watch: International human rights monitoring organization that has published *Unfair Advantage, Workers' Freedom of Association in the United States under International Human Rights Standards*. Website, www.hrw.org; phone (212) 290-4700.

Investment in Workforce Development

Working for America Institute: The AFL-CIO has created the Working for America Institute to support union strategies for building good jobs and strong communities. Website, www.workingforamerica.org; phone (800) 842-4734.

Public Subsidies and Job Creation

Good Jobs First: Helps grassroots groups and policy-makers ensure that businesses subsidized by the public are held accountable for family-wage jobs and other effective results. Website, www.ctj.org/itep/gtf.htm, phone (202) 737-4315.

ENDNOTES

Executive Summary and Introduction Endnotes

¹ Contra Costa Times, *March 30, 2000*; San Francisco Chronicle, *January 26, 2000*; East Bay Business Times, *May 5, 2000*.

² San Francisco Chronicle, Oakland Tribune and San Jose Mercury-News; *July 28, 2001*.

³ *AeA and NASDAQ, Cybertcities: A City By City Overview of the High-Technology Industry, 2000*.

⁴ U.S. Census Bureau, *2000 Decennial Census Summary File 1* (www.census.gov).

⁵ *Association of Bay Area Governments and Metropolitan Transportation Commission, Racial/Ethnic Diversity Index by Bay Area County 1980-2000, July 2001* (census.abag.ca.gov).

⁶ Johnson, Marilyn, *The Second Gold Rush: Oakland and the East Bay in World War II*, University of California Press, Berkeley, 1993.

⁷ California Department of Finance, *Population Estimates for California Counties: July 1970-1980* (www.dof.ca.gov).

Chapter 1 Endnotes

⁸ McKinsey & Company, *The Bay Area: Winning in the New Economy, A Profile of Comparative Economic Performance*, Bay Area Council's Bay Area Economic Forum, September 1999 (www.bayeconfor.org/pdf/baef_report.pdf). No figure is available for the East Bay.

⁹ *Ibid.* The regions are Phoenix, Boston, Houston, New York, Charlotte, Seattle and Los Angeles.

¹⁰ Mishel, John, Jared Bernstein and John Schmitt, *The State of Working America 2000/2001, Economic Policy Institute*, Cornell University Press, Ithaca, NY 2001. From 1947 to 1973, U.S. productivity growth averaged 2.9% per year. From 1973 through 1995, annual productivity gains slowed to 1.5% per year.

¹¹ California Employment Development Department, *Historical Monthly Labor Force Data 1983-2000* (www.calmis.ca.gov).

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ Business peaks are times where the national economy is at its strongest, characterized by job growth, low unemployment, and high productivity. The most accurate and least misleading analysis of economic trends compares either peaks to peaks or valleys to valleys. The last business peak for the U.S. occurred in 1989 and in 1989-1990 for the East Bay.

¹⁵ U.S. Bureau of Economic Analysis, *County Wage and Salary Summary CA34, 1969-99* (www.bea.doc.gov). Wage and salary disbursements make up 57% of personal income on a national level.

¹⁶ U.S. Bureau of Economic Analysis, *Local Area Personal Income CA1-3, 1969-2000* (www.bea.doc.gov).

¹⁷ Authors' analysis of U.S. Census Bureau's County Business Patterns data, years 1959, 1969, 1979, 1989, 1997.

¹⁸ California Employment Development Department, *Annual Average Industry Employment, 1983 to 2000, Bay Area MSAs* (www.calmis.ca.gov).

¹⁹ California Employment Development Department, *Oakland MSA Annual Average Industry Employment, 1983 to 2000* (www.calmis.ca.gov).

²⁰ U.S. Census Bureau, *County Business Patterns, 1997*.

²¹ This represents a proportion of temporary jobs created by 1997 to all jobs in 1999. If the industry continued to grow in 1998 and 1999, the proportion will be higher.

²² Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group Files, 1999.

²³ *Ibid.*

²⁴ U.S. Census Bureau, *2000 Decennial Census Summary File 1* (www.census.gov).

²⁵ U.S. Census Bureau, *Population Estimates Program* (www.census.gov).

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²⁶ *The State of Working America 2000/2001*.

²⁷ Institute of Regional and Urban Studies, *Five Years of Strong Economic Growth: The Impact on Poverty, Inequality and Work Arrangements in California*, Future of Work and Health Program, U.C. Berkeley, March 2001.

²⁸ Reed, Deborah, *California's Rising Income Inequality: Causes and Concerns*, Public Policy Institute of California, 1999.

²⁹ Benner, Chris, Bob Brownstein and Amy Dean, *Walking the Lifelong Tightrope: Negotiating Work in the New Economy, A Status Report on Social and Economic Well-Being in the State of California*, Working Partnerships USA and Economic Policy Institute, 2000.

³⁰ Our analysis of wages in the East Bay uses merged data from the Outgoing Rotation Group (ORG) files of the Current Population Survey (CPS), conducted monthly by the U.S. Bureau of the Census and the Bureau of Labor Statistics. We merged data across three years of the survey to create large enough sample sizes for analysis (1988 through 1990 and 1997 through 1999). It should be noted that CPS data is designed to be representative of states like California, but is not designed to be representative of sub-state areas like the Bay Area. CPS data, although not ideal, are frequently used by policy analysts and scholars at a sub-state level and are considered the best available until the 2000 Decennial Census Summary File 3 is released.

³¹ For more information on the method used to find wage estimates see Appendix B: Methodology.

³² Two related caveats should be made. First, our wage figures do not include several fringe benefits that have been gained by employees in the 1990s. As the Center for the Continuing Study of the California Economy has noted in *Five Years of Strong Economic Growth: The Impact on Poverty, Inequality and Work Arrangements in California*, non-wage compensation, such as stock options, is increasing as a share of an employee's true income. If there were a way to measure these types of benefits easily, wages in the third quintile and above might increase substantially. Second, we should point out that our wage figures do not include fringe benefits that have been lost by workers in the 1990s. It has become more and more common for employers to use temporary and short-term staffing at all wage levels, but especially in the low-wage service sector (see Center on Policy Initiatives, *Working in the Margins: California's Growing Temporary Workforce*, January 2001). Most of these contingent jobs do not pay the employee's health insurance, or if they do, they only pay part of the cost.

³³ Authors' analysis of merged Current Population Survey, March Supplement Files, 1989-91 and 1998-2000.

³⁴ Legislative Analyst's Office, *California's Changing Income Distribution, State of California*, August 2000.

³⁵ *State of Working America 2000/2001*.

³⁶ Authors' analysis of Current Population Survey, merged ORG Files. The five-point decline in the union wage difference is partly explained by faster growth rates among low-wage, service sector unions.

³⁷ For a brief overview, see David Card, "The Effect of Unions on Wage Inequality in the U.S. Labor Market," *Industrial Labor Relations Review*, Volume 54, Cornell University, New York, January 2001.

³⁸ Authors' analysis of the Current Population Survey, merged ORG Files. The universe of workers for this calculation is the same as the universe of workers for the wage inequality analysis (see Figure 2.1).

³⁹ Hirsch, Barry T. and David A. Macpherson, *Union Membership and Earnings Data Book: Compilations from the Current Population Survey (2001 Edition)*, Bureau of National Affairs, Washington D.C., 2001.

⁴⁰ Bernstein, Jared and Chauna Brocht, "The Next Step: The New Minimum Wage Proposals and the Old Opposition," *EPI Issue Brief, Number 130B, Economic Policy Institute*, March 8, 2000 (www.epinet.org).

⁴¹ Bureau of Economic Affairs, *Regional Economic Profile 1994-1998*, Alameda and Contra Costa Counties (www.bea.doc.gov).

⁴² *State of Working America 2000/2001*. Family income aggregates most types of income received by a family in one year including wages, retirement funds and government assistance. Capital gains and tax credits are not included.

⁴³ *Ibid*.

⁴⁴ *California's Changing Income Distribution*. It should be noted that income tax data misses a large group of low-income persons who do not file taxes. Thus, an analysis of tax data will overestimate average income for low-income persons.

⁴⁵ The census defines a family as a group of related individuals living in the same household. We follow census procedure by considering each unrelated individual in a household, such as roommates or boarders, as unique families. See Appendix B for more information the definition of family income.

Chapter 3 Endnotes

⁴⁶ *The State of Working America 2000/2001*.

⁴⁷ See table notes for agency sources. Figures are in 2000 dollars.

⁴⁸ There are two official federal poverty cut-offs. The first is the thresholds used by the Census Bureau to determine poverty by family size, number of children and retirement status. The second is the guidelines created by the U.S. Department of Health and Human Services (DHHS), which reduces the factors to family size only (e.g. three persons, four persons, etc.). We used the Census Bureau thresholds for a family of two adults and two children. Incidentally, the threshold for Medicare eligibility is the same as the DHHS poverty guidelines.

⁴⁹ U.S. Bureau of the Census, *Poverty Status, by Family Relationship, Race, and Hispanic Origin Table, Historical Poverty Tables, Current Population Survey, 2001*. (www.census.gov/hhes/poverty/histpov/perindex.html)

⁵⁰ U.S. Bureau of the Census, *Number of Poor and Poverty Rate, by State: 1980 to 1999, Historical Poverty Table, Current Population Survey, 2001*. (www.census.gov/hhes/poverty/histpov/perindex.html)

⁵¹ For these estimates, we use a special Census Bureau project that determines poverty for every U.S. county between decennial census years. See the Census Bureau's "Small Area Income and Poverty Estimates" (www.census.gov/hhes/www/saipe.html). These estimates are the most accurate available for areas smaller than a state. The latest figures are for 1997.

⁵³ For the Bay Area and California, see California Department of Finance, *California Statistical Abstract, 2000* (based on data from the California Association of Realtors); for the U.S., see Patrick Simmons, *Housing Statistics of the United States: Third Edition, 2000*, Bernam Press, Washington DC, 2001 (based on data from the National Association of Realtors). Housing prices for 1990 are actual and not adjusted for inflation.

⁵³ Ibid.

⁵⁴ The Bureau of Labor Statistics creates the Consumer Price Index by determining the costs of commonly purchased necessities and goods every month for major metropolitan areas. There is no corresponding index for the East Bay.

⁵⁵ Bureau of Labor Statistics, *CPI-U San Francisco-Oakland-San Jose, CA*, (stats.bls.gov/cpijome.htm).

⁵⁶ U.S. Department of Housing and Urban Development, "Fair Market Rents for Fiscal Year 2001, Final Rule," *Federal Register*, Vol. 65 No. 186, September 2000, pg 57658. Housing authorities throughout the East Bay initially appealed HUD's proposed 2001 fair market rent for the region, \$985 for a two-bedroom apartment, on the grounds that it significantly underestimated actual rent (Letter to the Department of Urban Housing and Development from the Housing Authority of Alameda County, dated July 22, 2000). The proposed rent was based on revisions to 1990 Census rental housing cost data. In response, HUD conducted a random survey of East Bay residents and subsequently revised the two-bedroom rent up to \$1090. According to Douglas Lee of the Oakland Housing Authority, this revision was a long time in coming (Interview with Douglas Lee, August 23, 2000). We used the 2001 fair market rent figure rather than the 1999 figure to capture this more accurate estimation method.

⁵⁷ They are San Francisco (CA), San Jose (CA), Stamford-Norwalk (CT), Nassau-Suffolk (NY), Westchester County (NY) and Santa Cruz-Watsonville (CA).

⁵⁸ All data in Table 3.3 is from *California Budget Project, Locked Out: California's Affordable Housing Crisis*, May 2000 (www.cbpp.org).

⁵⁹ See Paul More, et.al., *The Other Los Angeles: the Working Poor in the City of the 21st Century*, Los Angeles Alliance for a New Economy, August 2000 (www.lane.org) and Enrico A. Marcelli and Pascale M. Joassart, *Prosperity and Poverty in the New Economy: A Report on the Social and Economic Status of Working People in San Diego County*, Center on Policy Initiatives, December 1998 (www.onlinecpi.org).

⁶⁰ Bernstein, Jared, Chauna Brocht and Maggie Spade-Aguilar, *How Much is Enough?: Basic Family Budgets for Working Families*, Economic Policy Institute, 2000 (www.epinet.org). Basic family budgets are alternatively called “self-sufficiency budgets,” and “needs-based budgets.”

⁶¹ California Budget Project, *Making Ends Meet*, October 1999 (www.cbp.org). For this report, we use California Region IV from *Making Ends Meet* (p. 20), which includes Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Santa Clara Counties. It does not include the North Bay counties of Napa, Solano, and Sonoma.

⁶² Because the basic family wage has been estimated for adults supporting a family, we eliminated teenagers and retired people. We measured the basic family wage threshold against wages from workers’ primary jobs.

Discussion Endnotes

⁶³ See U.S. Department of Labor, *Minimum Wage Laws in the States* (www.dol.gov).

⁶⁴ LeRoy, Greg, *No More Candy Store: States and Cities Making Job Subsidies Accountable*, Good Jobs First, 1994 (www.goodjobsfirst.org).

⁶⁵ Peter D Hart Research Associates, *Americans’ Attitudes Toward Unions*, 1999 (found on www.aflcio.org/labor99/am_attitude.htm).

⁶⁶ Department of Finance, *California County Profiles*, Alameda and Contra Costa Counties (www.dof.ca.gov).

⁶⁷ Association of Bay Area Governments, *Regional Housing Needs Determination, 1999-2006* (www.abag.ca.gov/planning/housingneeds).

⁶⁸ The State requires every local government in the Bay Area to update the housing element of their general plans by December 31, 2001. The housing elements must include target numbers for the jurisdiction’s “fair share” of the Bay Area’s affordable housing need.

⁶⁹ US Bureau of Census, 2000 Decennial Census Summary File 1 (www.census.gov).

⁷⁰ Sentinel Fair Housing, Oakland California.

⁷¹ Internal Revenue Service, “Table 2 - Individual Income and Tax Data, Tax Year 1998,” *Statistics of Income Bulletin*, Spring 2000.

⁷² V. Joseph Hotz, et al, “The Earned Income Tax Credit and Labor Market Participation of Families on Welfare,” *Joint Center for Poverty Research Working Paper Series*, Number 214, January 2001; and Bruce D. Meyer and Dan T. Rosenbaum, “Making Single Mothers Work: Recent Tax and Welfare Policy and its Effects,” *Joint Center for Poverty Research Working Paper Series*, Number 152, December 1999 (both available at www.jcpr.org).

⁷³ For an examination of costs and benefits of a California EITC, see *California Budget Project, How Can a State Earned Income Tax Credit Help California’s Working Poor Make Ends Meet?*, Budget Brief, Sacramento, March 2001 (www.cbp.org/brief/bb010302.html).

⁷⁴ Zabin, Carol, Michael Reich and Peter Hall, *Living Wages at the Port of Oakland*, Center for Labor Research and Education, University of California at Berkeley, December 1999.

The East Bay Alliance for a Sustainable Economy brings together labor, community and faith-based organizations and leaders to end low-wage poverty and create economic equity in the San Francisco East Bay region.

The work of EBASE is founded on the principle that workers, their communities, and their faith institutions can forge an alliance across sectors, across government jurisdictions and across cultures to change how public decision makers and businesses shape the local economy.



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