

POVERTY AND INCOME INEQUALITY: FOCUS ON THE BAY AREA

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October 5, 2015

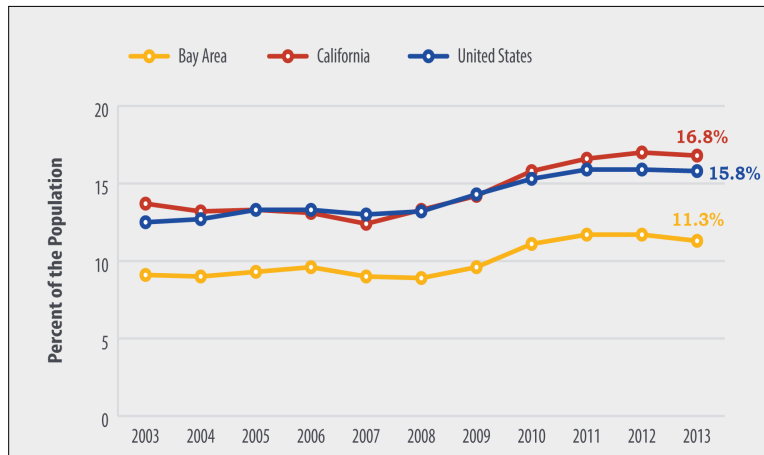


Introduction

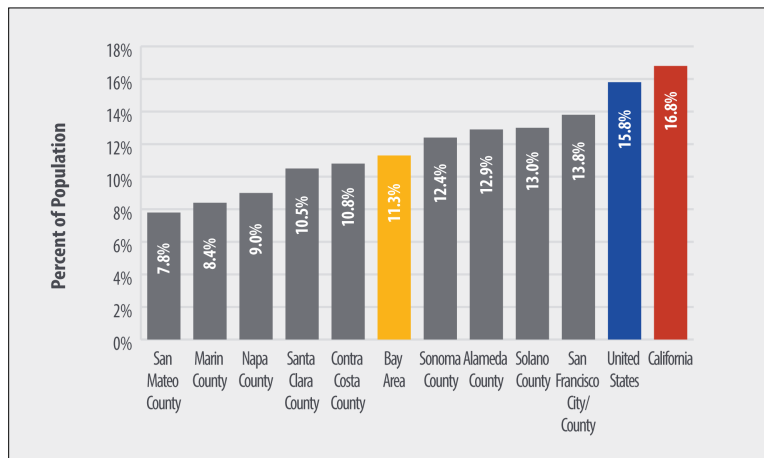
- **Poverty**
 - Relatively off the radar
- **Income Inequality**
 - Important national conversation
 - What is happening locally?



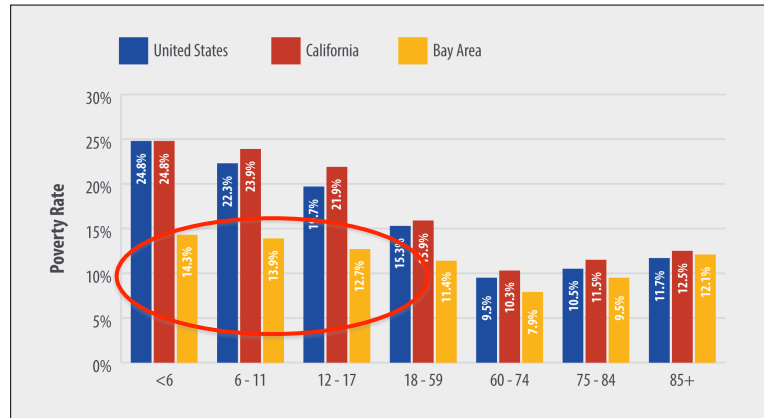
Poverty Rates: US, CA, and Bay Area



Poverty Around the Bay Area



Child Poverty is a Significant Problem 13.8% Aged < 18 Live in Poverty (2013)

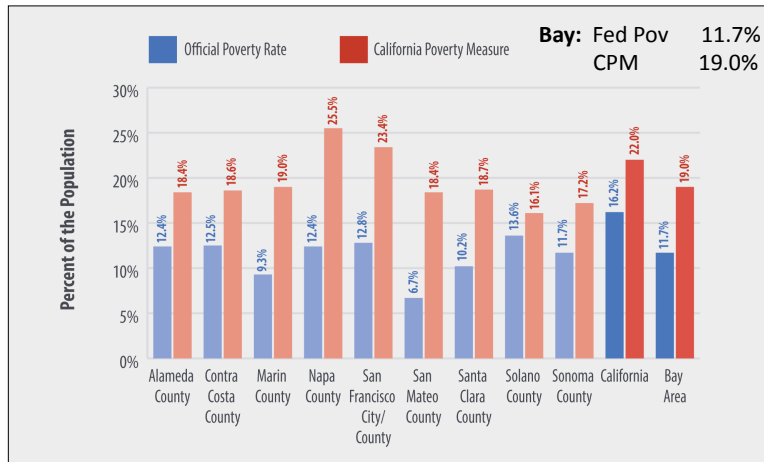


Federal Poverty Statistics Are Flawed

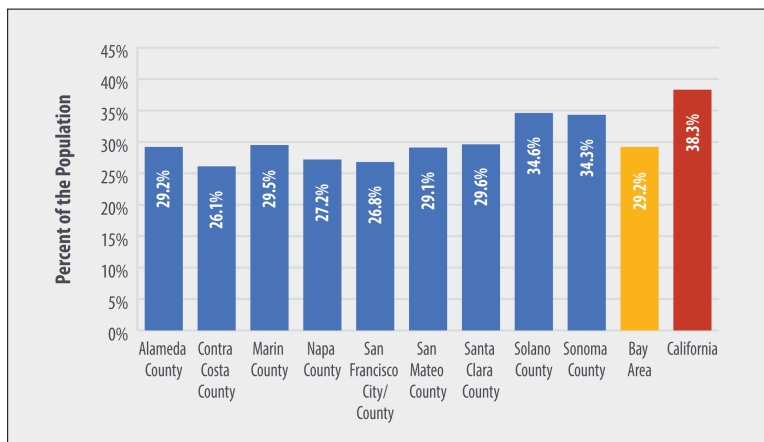
- Fails to account for:
 - non-cash transfers
 - regional differences in the cost of living
 - the declining importance of food in household spending
- Enter:
 - California Poverty Measure
 - Self Sufficiency Statistics



Economic Hardship is Understated by Federal Poverty Statistics (2011)



Self Sufficiency?



Poverty Summary

- **1 in 10 Bay Area residents are living in poverty**
 - 1 in 5 suffer from economic hardship by other measures
- **1 in 7 children live in poverty**
 - Child poverty rates are highest among those less than 5 years old
- **As high as the poverty numbers are, they understate the problem.**
 - It is understated in all high cost regions
 - It is therefore particularly understated in the Bay Area



National Income Inequality

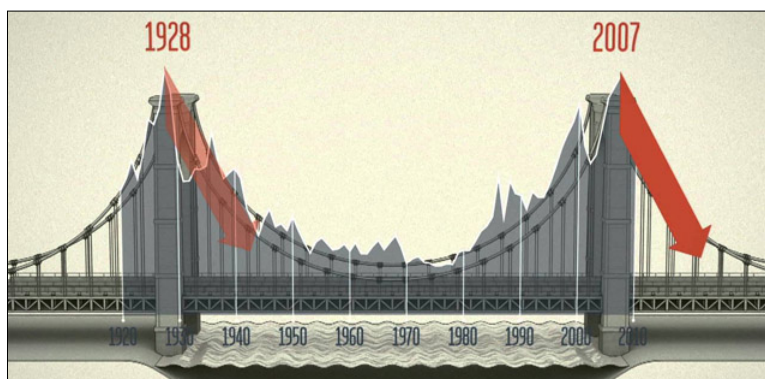
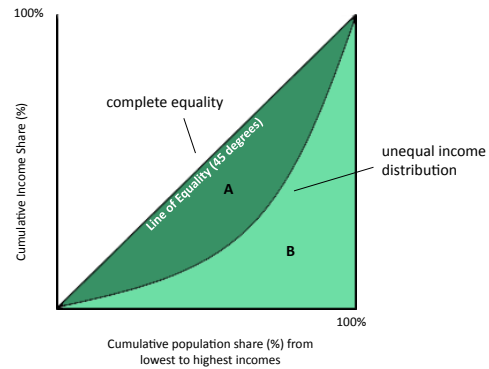


Image Source: Inequality for All, a documentary by Robert Reich



Income Inequality

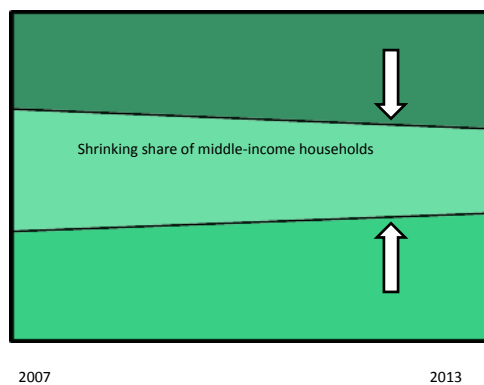


The relative amount of inequality in the Bay Area, California and U.S. are about the same; however, the income gap is larger here.

$$\text{Gini Coefficient} = 100 * A/(A+B)$$



Income Inequality

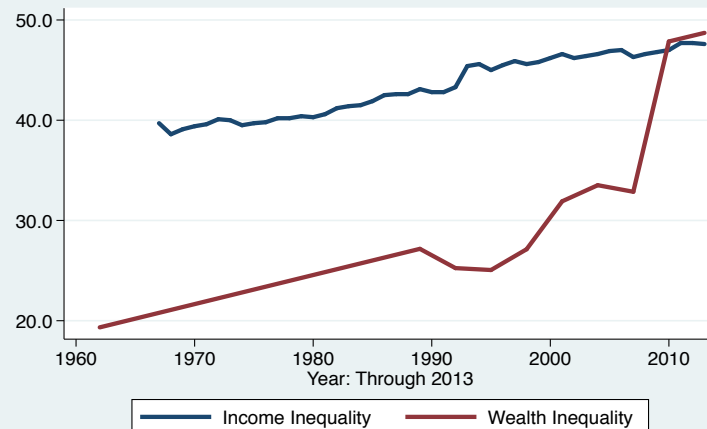


Inequality is a result of the declining share of middle-income households.

The middle-income share of Bay Area households decreased by 3.7 percentage points between 2007 and 2013.



National Income and Wealth Inequality

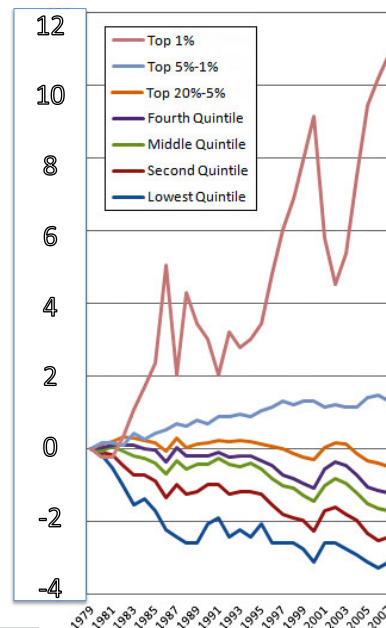


Source: US Census Bureau and the Survey of Consumer Finances
 INCOME INEQUALITY is measured as the Gini Coefficient.
 WEALTH INEQUALITY is the ratio of mean wealth in the top decile to median overall wealth.
 Wealth data are only available for 1962, and at three year intervals beginning in 1989.



Changes in Income Shares

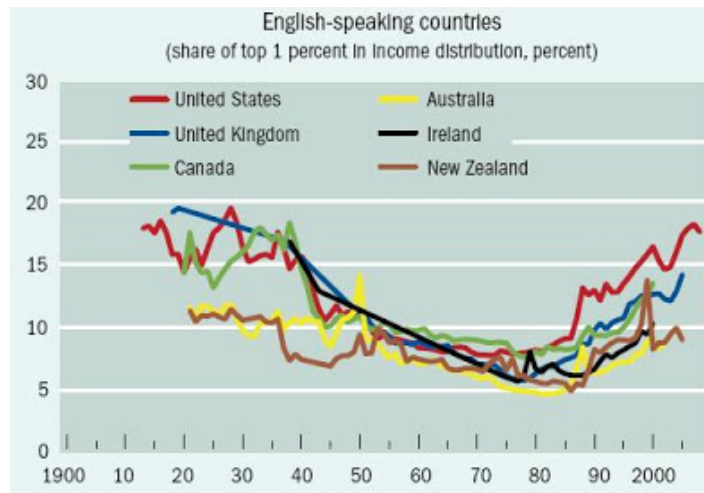
- US prosperity is anything but shared
- Massive transfers are being made from those at the bottom to those at the top



Source: CBO



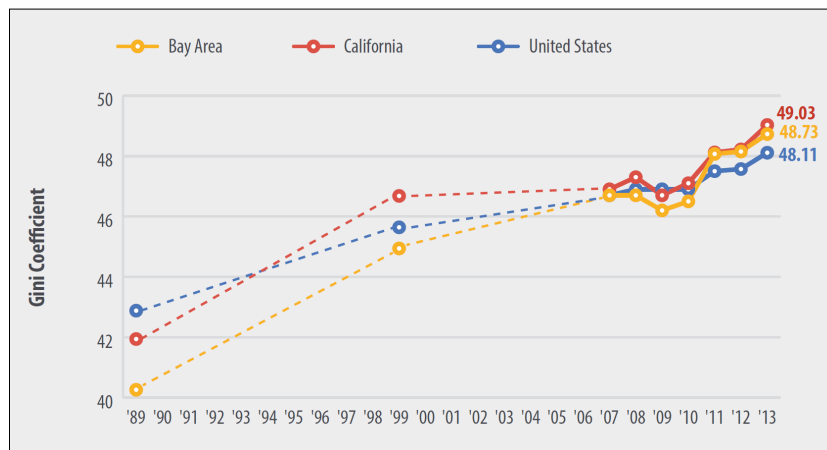
The United States Stands Out



Other major economies are at ~ 10%
(Germany 11%, France 9%, Japan 9%)



Local Inequality: Gini Coefficient



Inequality in 2013

Table 1: Household Income Inequality in the Bay Area, California and the United States, 2013

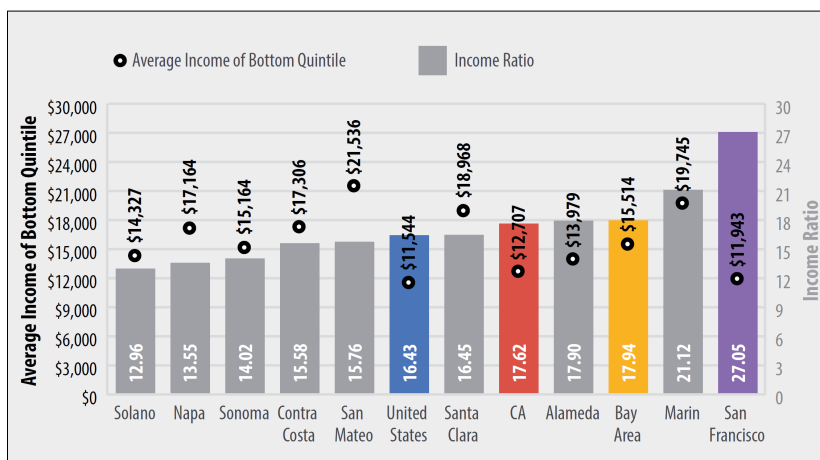
Region	Gini Coefficient	Income Ratio	Median Household Income	Poverty Rate	Inc. Share Top 5%
Bay Area	48.7	17.9	\$76,216	11.3%	22.8%
California	49.0	17.6	\$60,190	16.8%	23.3%
United States	48.1	16.4	\$52,250	15.8%	23.0%

Data Source: United States Census Bureau, 2013 American Community Survey, Summary File

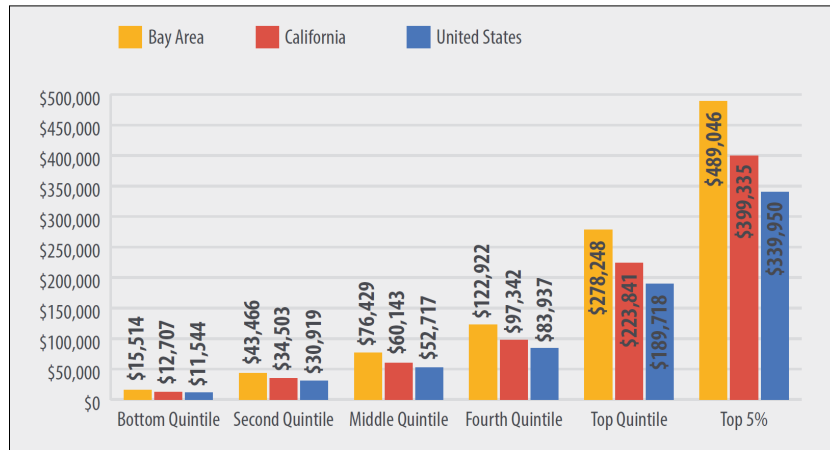
Note: Income Ratio presents the ratio of average income of the highest-earning 20% of households to the average income of the lowest-earning 20%. The final column is the share of total income that goes to the 5% of the highest earning households in the region.



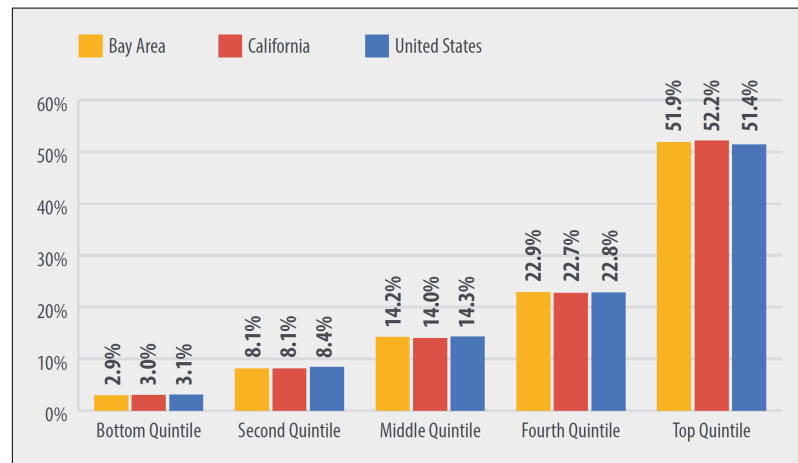
Around the Bay Area



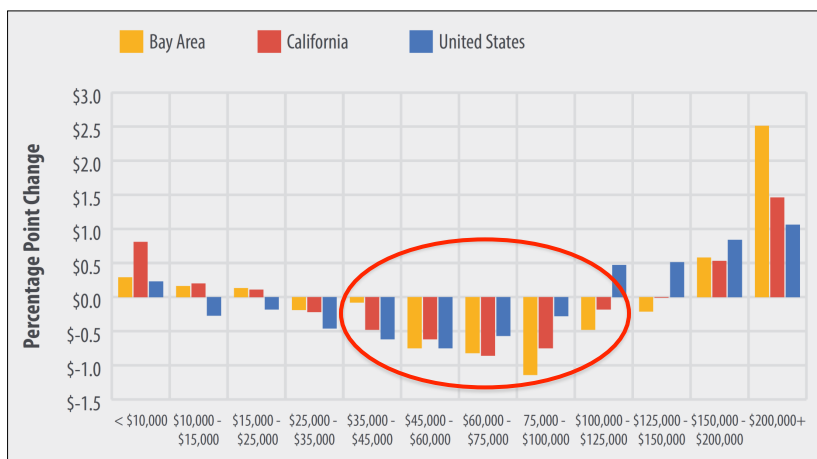
Distribution by Quintiles (Means, 2013)



Income Shares by Quintile (2013)



Vanishing Middle Class



Inequality Summary

- **Bay Area Inequality has gone from low to high**
 - Rising faster over last 25 years than US or CA
 - On par with CA and higher than nationally
- **Highly prosperous, with all income groups making roughly 40% more than nationally**
 - Hiding massive disparities across groups
 - Top 20% mean vs bottom Q mean:
 - \$260,000 in the Bay Area
 - \$178,000 nationally
- **Big differences across counties w/in Bay Area (Q5/Q1)**
 - SF: 27 Marin: 21 Solano/Napa/Sonoma: 13-14
- **Disparity comes from:**
 - Rapid growth at the top
 - Shrinking middle class
 - Growing concentrations at the lower end

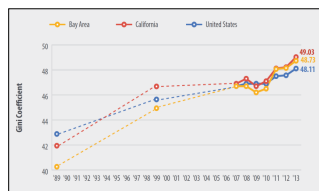
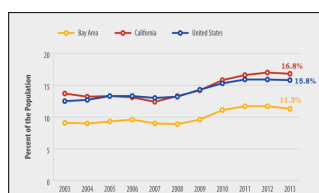


Policies Addressing Inequality

- Most policies are at the national level
- Regionally, there are options:
 - CA EITC? **YES!** (Some 30 states have their own)
 - Minimum wages
 - Increased expenditures on education, worker training, guidance counseling (at all levels)
 - Food/child support
 - Access to resources necessary to get a job (WIBs)
 - Follow the “Prosperity Strategy”
- **It is all about OPPORTUNITY!**



Conclusions on Bay Area Poverty and Income Inequality



- Our prosperity makes it important that we address poverty and income inequality
- Policy options are available
- Prosperity is being shared in the Bay Area, but some boats are rising higher/faster than others
- Nationally: Inequality is a policy choice

