POVERTY AND INEQUALITY IN THE BAY AREA

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Presented to: United Way of Silicon Valley
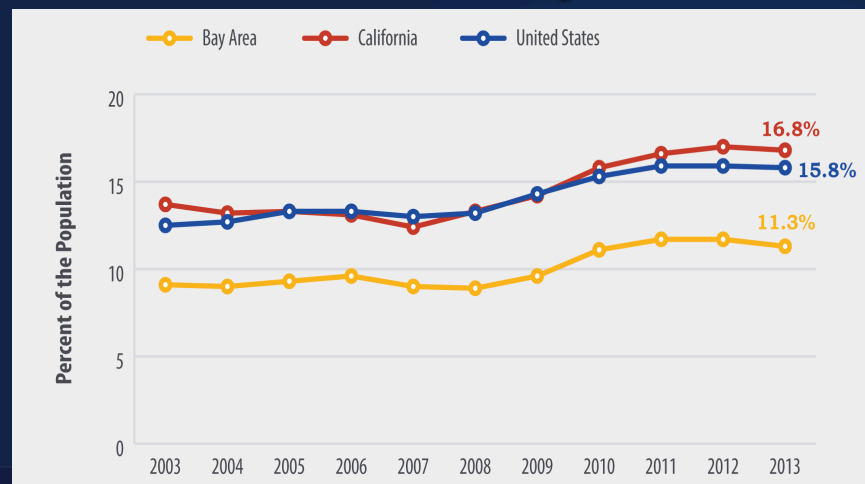May 19, 2015

Defining Poverty

- The state or condition of having little or no money, goods, or means of support; condition of being poor.

- Living in a household with income lower than the relevant poverty line.

- The current (2013) state of affairs:
  - 16% of all Americans
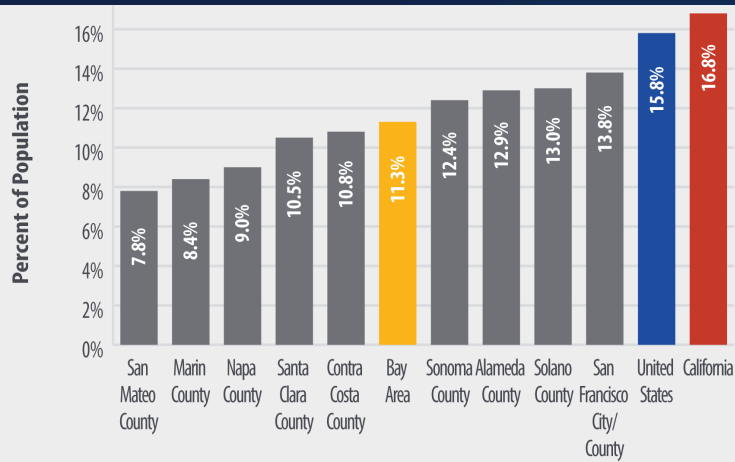 - 22% of all American *kids*

Introduction

- Poverty
  - Relatively off the radar
- Inequality
  - Important national conversation
  - What is happening locally?
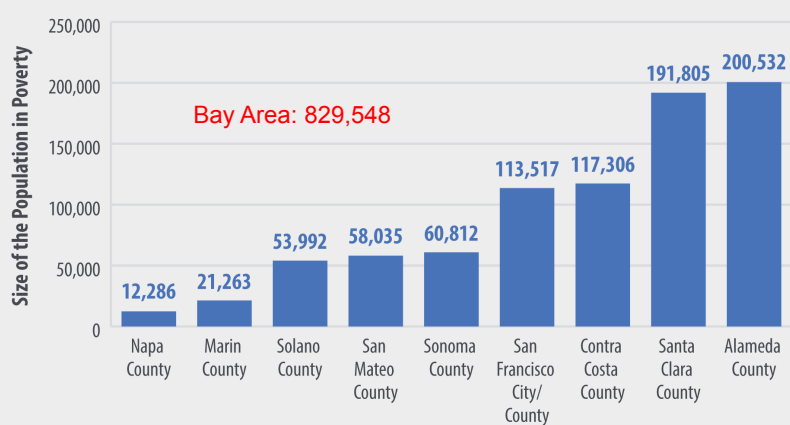- The Bay Area is so prosperous that these topics tend to get pushed to the back burner

Poverty Rates:
US, CA, and Bay Area

Bay Area   California   United States

16.8%
15.8%
11.3%

Percent of the Population

20

15

10

5

0

2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013

Poverty Around the Bay Area

Number of Impoverished People


Bay Area: 829,548

Data Source: United States Census Bureau, 2013 American Community Survey, 1-Year Estimates

Poverty Rates in Census Tracts

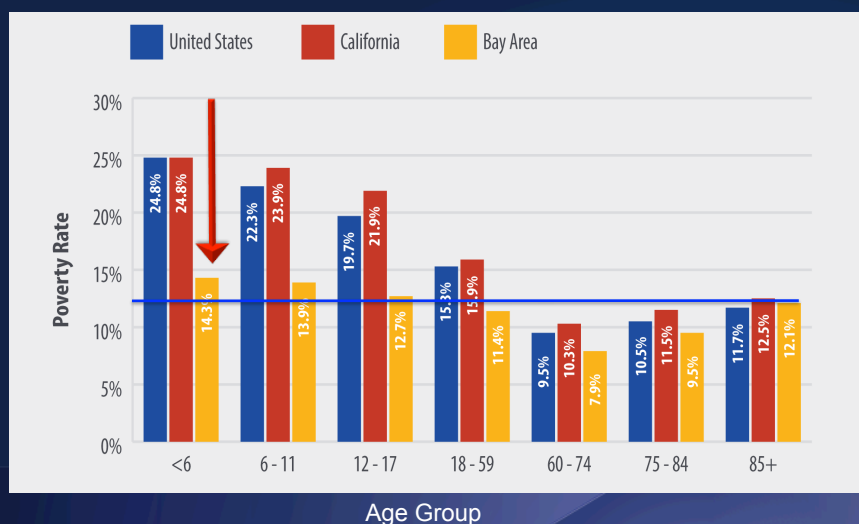| Tract	Area	Poverty Levels: % of Population
Low Poverty Tracts:		
2529.15	Solano County - Outskirts of Vacaville	0.0
6095.00	San Mateo County - San Carlos	0.1
4301.02	Alameda County - North, Unincorporated	0.1
2007.03	Napa County - West, City of Napa	0.3
High Poverty Tracts:		
4105.00	Alameda County - Central Oakland	47.4
4228.00	Alameda County - Just off Berkeley Campus	48.5
5009.02	Santa Clara County - Just off San Jose St Campus	49.5
125.02	San Francisco County - Tenderloin	50.6

Source: U.S. Census, Small Area Income Estimates

15.1% - 25%
25.1% - 50%
Greater than 50%
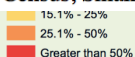
Child Poverty is a Significant Problem: 13.8% Aged < 18 Live in Poverty (2013)
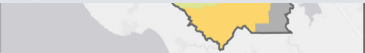
Child Poverty: School Districts

School District	Poverty Levels: % of Population
Low Poverty School Districts:	
Palo Alto Unified School District	4.2
San Ramon Valley Unified School District	4.3
Pleasanton Unified School District	4.8
Acalanes Unified School District	5.9
High Poverty School Districts:	
West Contra Costa Unified School District	18.3
Hayward Unified School District	20.2
Vallejo City Unified School District	21.2
Oakland Unified School District	27.9
Source: U.S. Census, Small Area Income Estimates	

Greater than 25%
No data available

Federal Poverty Statistics Are Flawed

- Fail to account for:
  – non-cash transfers
  – regional differences in the cost of living
  – realities of modern family budgets (child care, transportation, food share)

- Other measures:
  – California Poverty Measure
    • Regional diffs and non-cash transfers
  – Self Sufficiency Statistics
    • Regional diffs and modern budgets

Economic Hardship is Understated by Federal Poverty Statistics (2011)
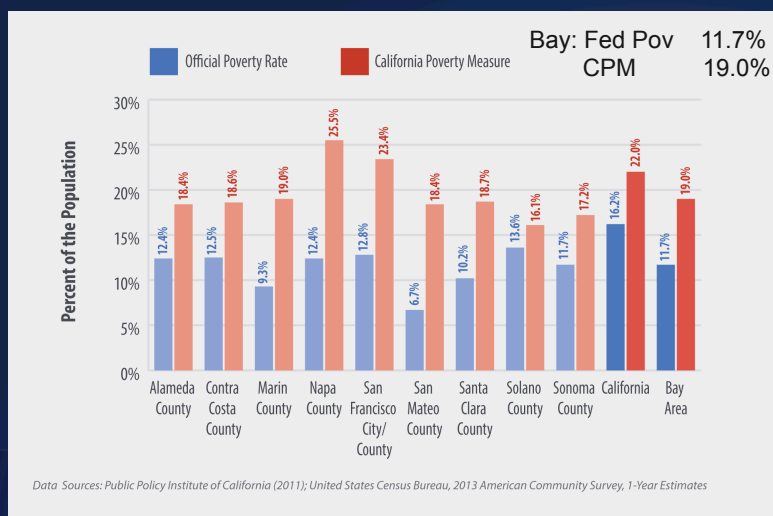
Self Sufficiency?
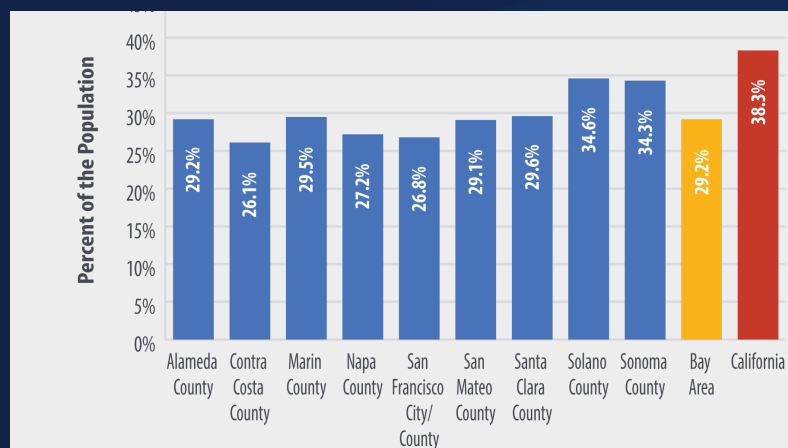
Why not just use CPM or SS?

- No standardized notion of their calculation

- Not available over time

- Not available for demographic sub-groups

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
- The Bay Area is prosperous enough to make addressing poverty a priority.

Why Should We Act?

- Two prominent reasons:

  - We care:
    - Low income households, particularly children, are struggling

  - We are all in this together
    - See next slide…..

We are all in this together

- Good for the local economy
  - more income in the hands of the poor means more spending and demand for locally produced goods and services
- Not investing in today's poor children could cost $7 trillion
  - Investing in kids has an enormous ROI
    - Like infrastructure, these returns are difficult to discern, but they are there
- Poverty means wasted lives, fail to contribute
- Poverty means desperation, sometimes leads to crime
- Poverty leads to inferior health outcomes
- And on and on and on….

Sources of Poverty and its Persistence

- Inequality of opportunity

How to address poverty?

- Is it a *cultural* issue or an *economic* issue?

- *Economic*: lack of opportunity
  - It is this lack of opportunity that has fostered the culture that is currently being blamed.

- Policies that foster income mobility and employment success are vital
  - Education and training
  - Child care
  - Employee friendly regulations – e.g., time schedules

- Almost any policy that provides opportunity to kids

Existing Policies that Address Poverty

- Social Insurance ($1.4T in 2009)
  - Tied to employment or old age
  - Social Security (retirement and survivors), Disability Insurance (DI), Medicare, Unemployment Insurance (UI), and Workers Compensation
- Means tested transfers ($0.6T in 2009)
  - Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), housing assistance, and the Supplemental Nutrition Assistance Program (SNAP)
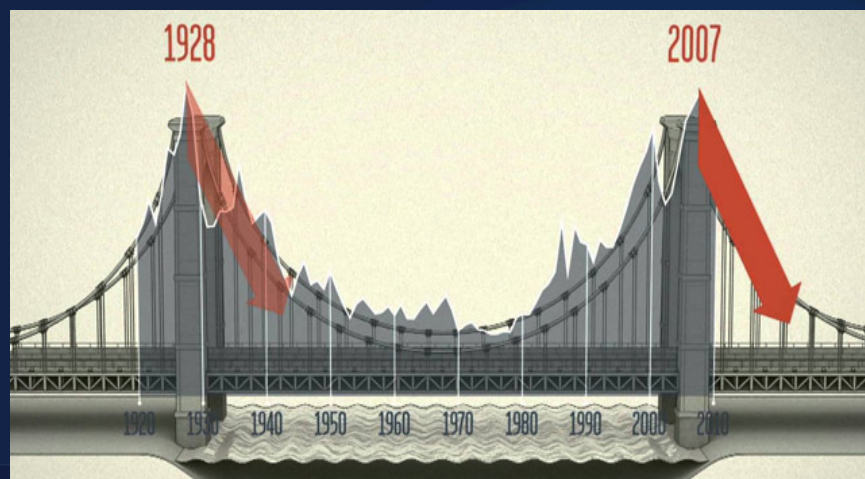
What should we do about kids?

- Early childhood education (universal)
  - Feed them well while they are there!

- Mentors and guides to young people

- Extracurricular activities

- Child care is about kids too

Most important thing to do?

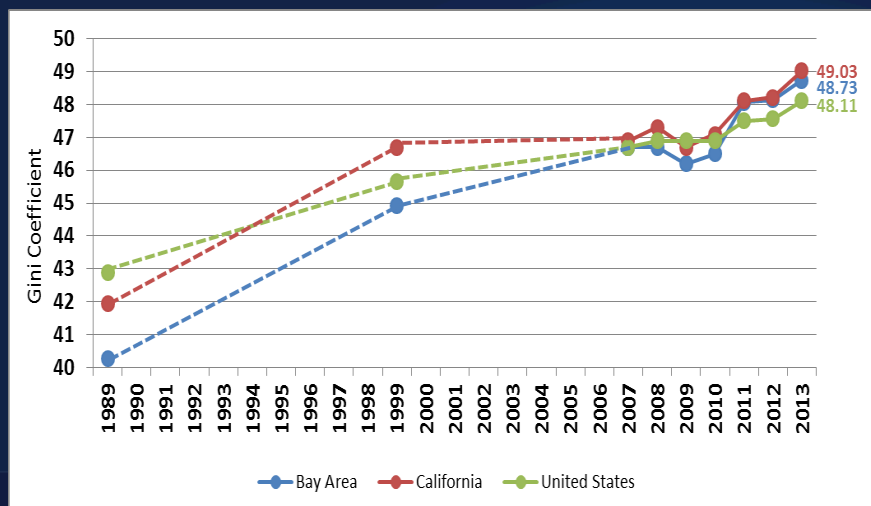- Address growing income inequality

National Income Inequality

Facts About Income Inequality

- Top 1%:
  - Collect 24% of all income
  - Own 40% of all wealth
  - Hold 50% of all stocks, bonds, and mutual funds
  - Received 63% of all income gains during the recovery
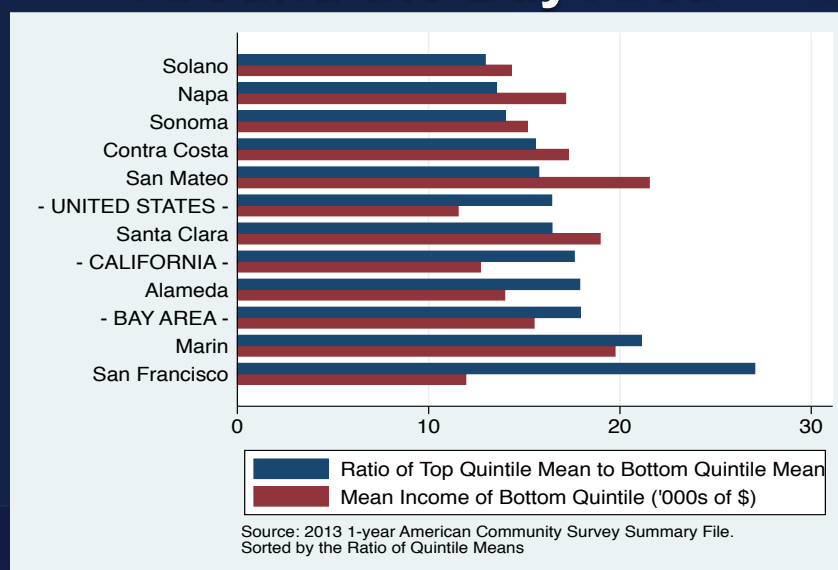
Local Inequality: Gini Coefficient

Inequality Today

Table 1: Inequality Measures for Households - 2013

Region	Gini Coefficient	Income Ratio	Median HH Income	Poverty Rate	Inc. Share Top 5%
United States	48.1	16.4	52,250	15.8	23.0
California	49.0	17.6	60,190	16.8	23.3
Bay Area	48.7	17.9	76,216	12.2	22.8

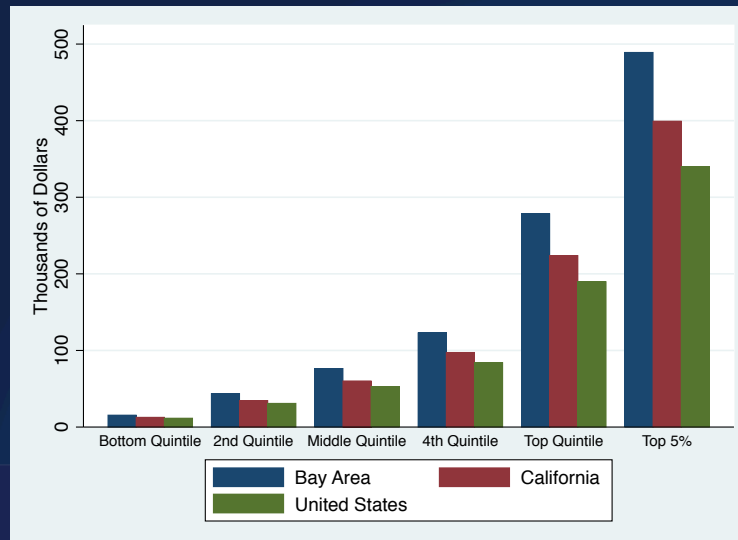**Source:** U.S. Census, 2013 American Community Survey, Summary File
Income Ratio: This column presents the ratio of mean income of the richest 20% of households to the mean income of the poorest 20%.
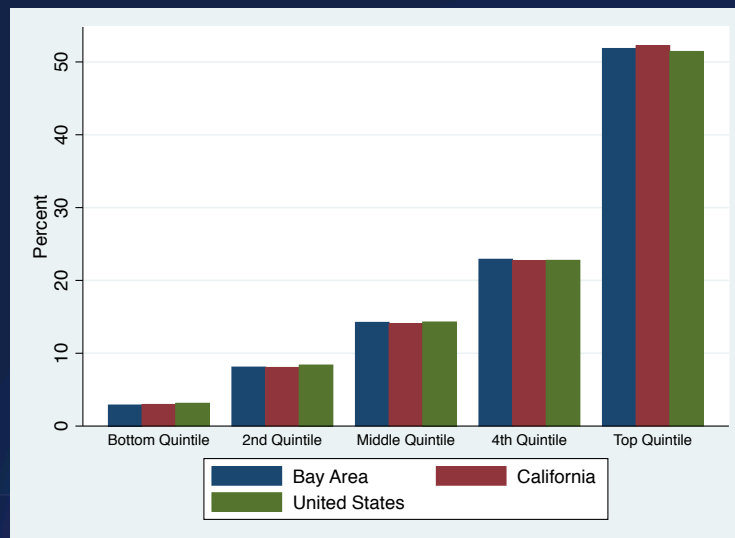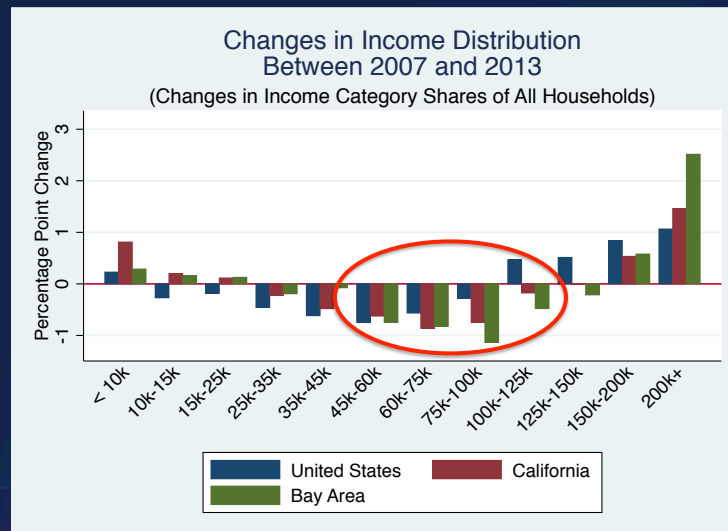
Around the Bay Area

Source: 2013 1-year American Community Survey Summary File.
Sorted by the Ratio of Quintile Means

Distribution by Quintiles
(Means, 2013)

Income Shares by Quintile (2013)

Vanishing Middle Class

Changes in Income Distribution
Between 2007 and 2013
(Changes in Income Category Shares of All Households)

Legend: United States, California, Bay Area

Inequality Summary

- Bay Area Inequality has gone from low to high

- Highly prosperous, with all income groups making roughly 40% more than nationally
  - Hiding massive disparities across groups
    - Top Q mean vs bottom Q mean: $260,000 vs $178,000

- Big differences across counties w/in Bay Area (Q5/Q1)

- Disparity comes from:
  - Rapid growth at the top
  - Shrinking middle class
  - Growing concentrations at the lower end

The Inequality Problem

- Is it a problem?
  - No inequality = slow growth
  - Extreme inequality = slow growth
  - Optimal level lies between, but where?
- Excessive Inequality:
  - Slows economic growth
  - Divides society
  - Distorts political environment
  - Reduces political participation
  - Reduces investments in public goods

Can Not Solve….

- But can ameliorate its effects:
  - Expand redistributive policies (taxes and transfers)
  - Expand services that particularly benefit low income groups
  - Enhance education, skills, and opportunity at the bottom
  - Better informing choices regarding educational attainment, occupations, and skill acquisition
  - Encourage unionization of labor
  - Invest in transportation infrastructure
- *Are all anti-poverty policies*

Inequality Policy Summary

- Most policies are at the national level
- Regionally, there are options:
  - CA **EITC**?   (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"

Overall Summary

- Although the Bay Area does *not stand out* as having either a poverty or inequality problem:
  - Our prosperity makes it important that we do more
  - Policies are available to address these issues
    - In particular to press national representatives to do more

- Prosperity is being shared in the Bay Area, but some boats are rising higher/faster than others

- Putnam: "Our kids are increasingly growing up with kids like them who have parents like us."

- Kennedy (?): "It's not that the poor have nothing to do. It's that they have nothing to do with us."

- Ghandi: "A nation's greatness is measured by how it treats its weakest members."

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