

San Mateo – Council of Cities **Inequality, Poverty, and the Middle Class in the Bay Area**

Marin Economic Consulting
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New Report!

www.MarinEconomicConsulting.com/RegionalReports/San_Mateo_County

San Mateo County Regional Report

Updated: Constantly up to date!

Subscriber:



Comprehensive Regional Reports

DEMOGRAPHICS

(Click on the section titles to access the reports.)

Demographic Snapshots of Individual Cities

- Daly City
- Redwood City

- San Mateo
- S. San Francisco

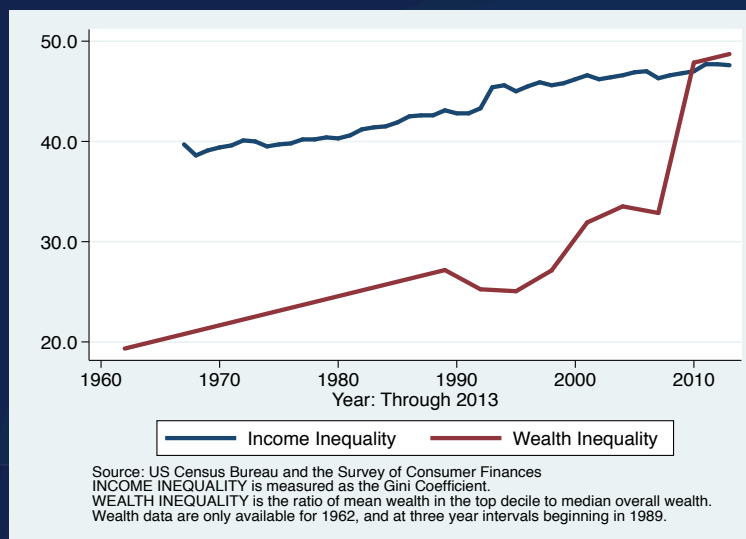
- I. DEMOGRAPHIC SNAPSHOT
- II. POPULATION AND HOUSING REPORT
 - 1. Overall Regional Population Change

- IV. COMMUTE PATTERNS
 - 1. Mode of Transportation
 - 2. Travel Time to Work

Outline

- Evidence
 - Inequality
 - Poverty
 - Middle class
- Discussion
 - Sources
 - Implications
 - Solutions

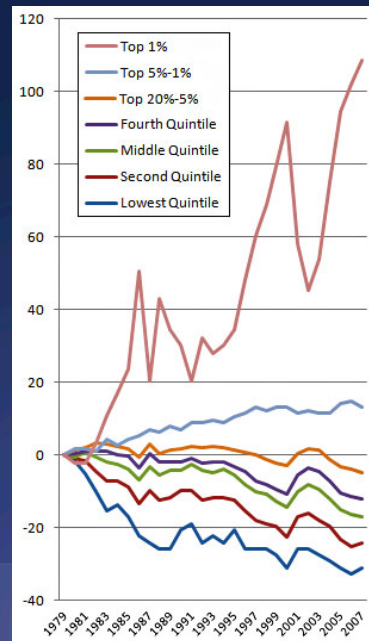
National Income and Wealth Inequality



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



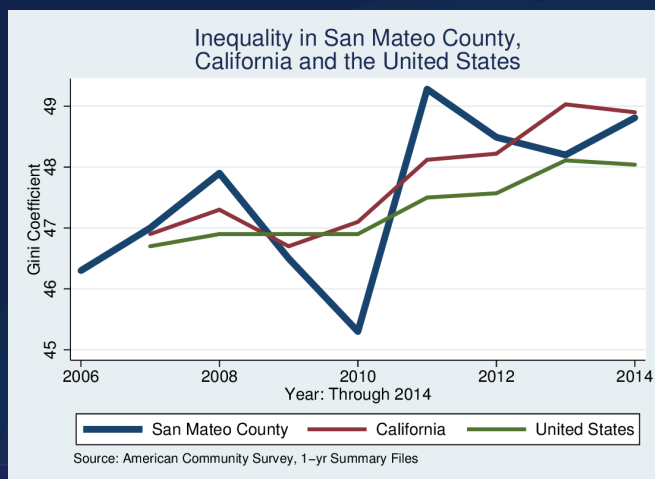
Result

- The United States now has the **highest percentage of low-wage workers** – make less than two-thirds of the median wage – of **any developed nation**.
- Fully 25% of all American workers make no more than \$17,576 a year.

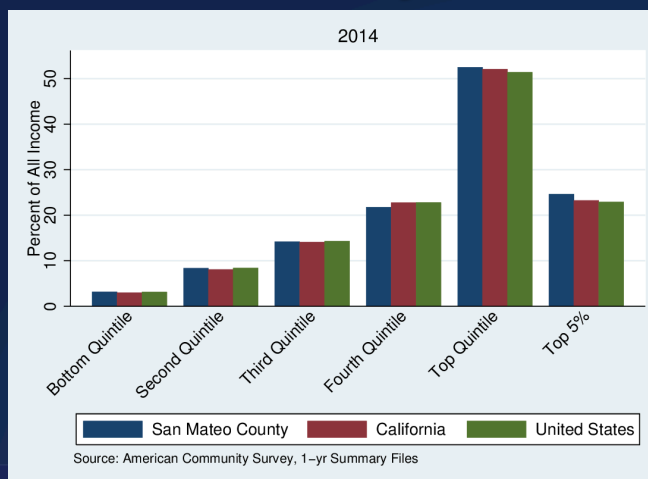
Inequality Locally: Bay Area



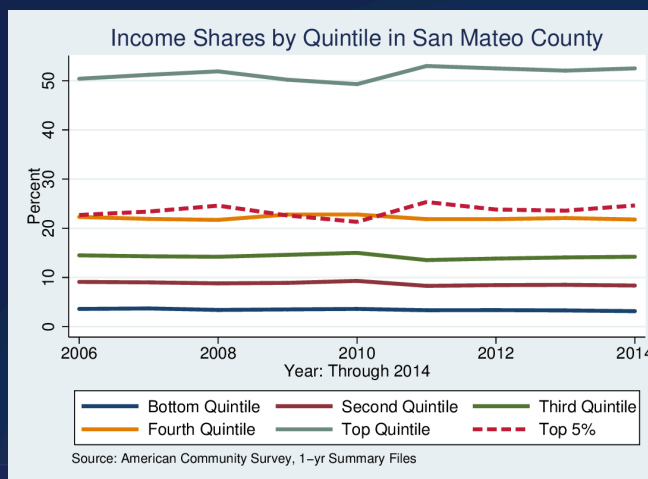
Inequality Locally: San Mateo County



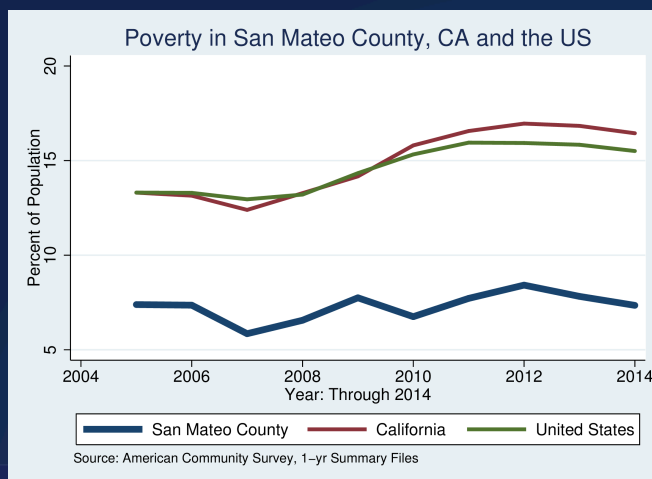
Income Shares in San Mateo County



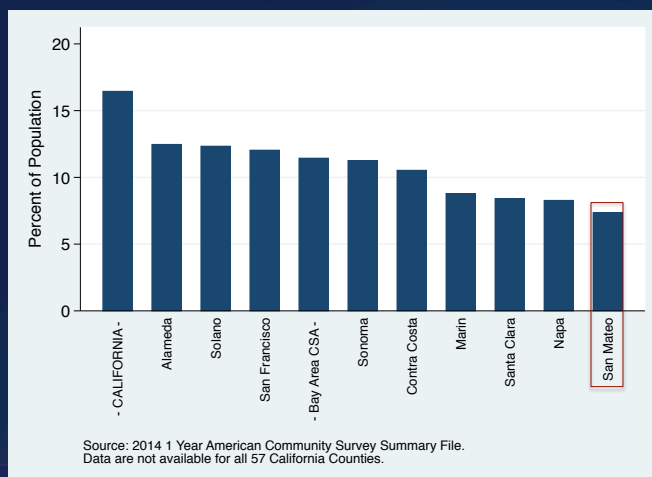
Income Distribution over Time



Poverty in San Mateo County



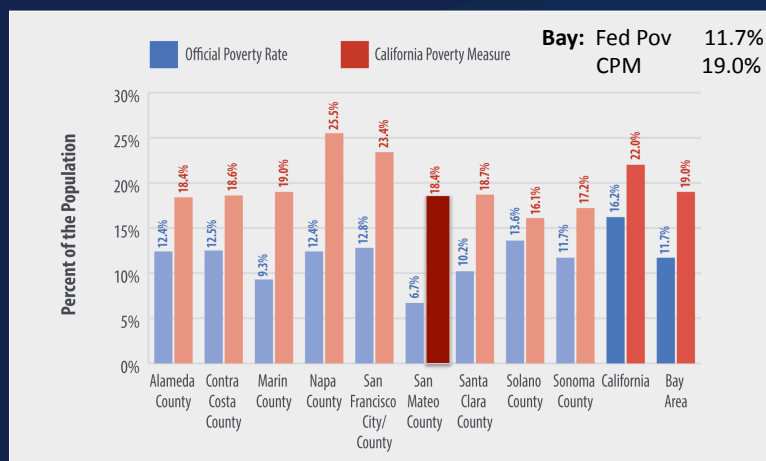
San Mateo County Ranks Favorably with Respect to Poverty



But....Federal Poverty Statistics Are Flawed

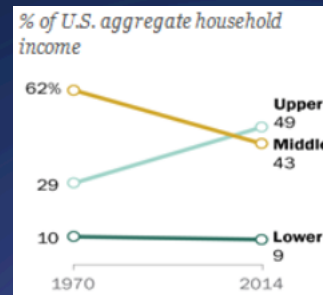
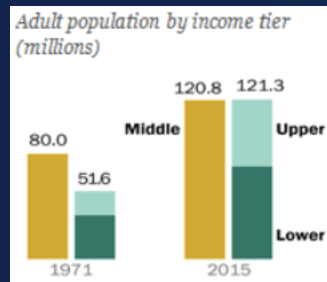
- Fails to account for:
 - non-cash transfers
 - regional differences in the cost of living
 - the declining importance of food in household spending
- Enter:
 - California Poverty Measure

Economic Hardship is Understated by Federal Poverty Statistics (2011)

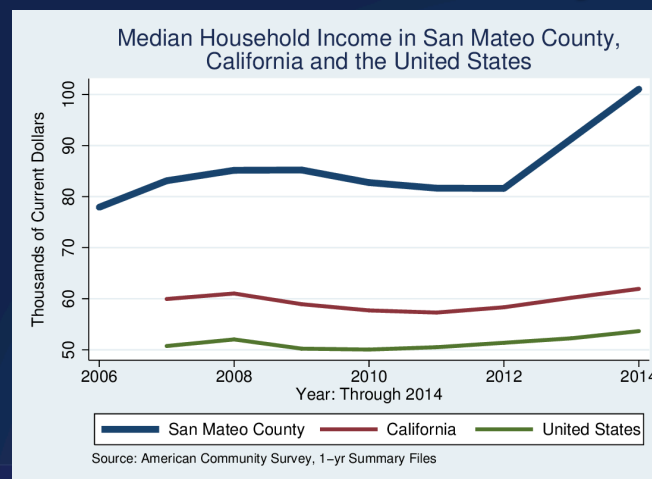


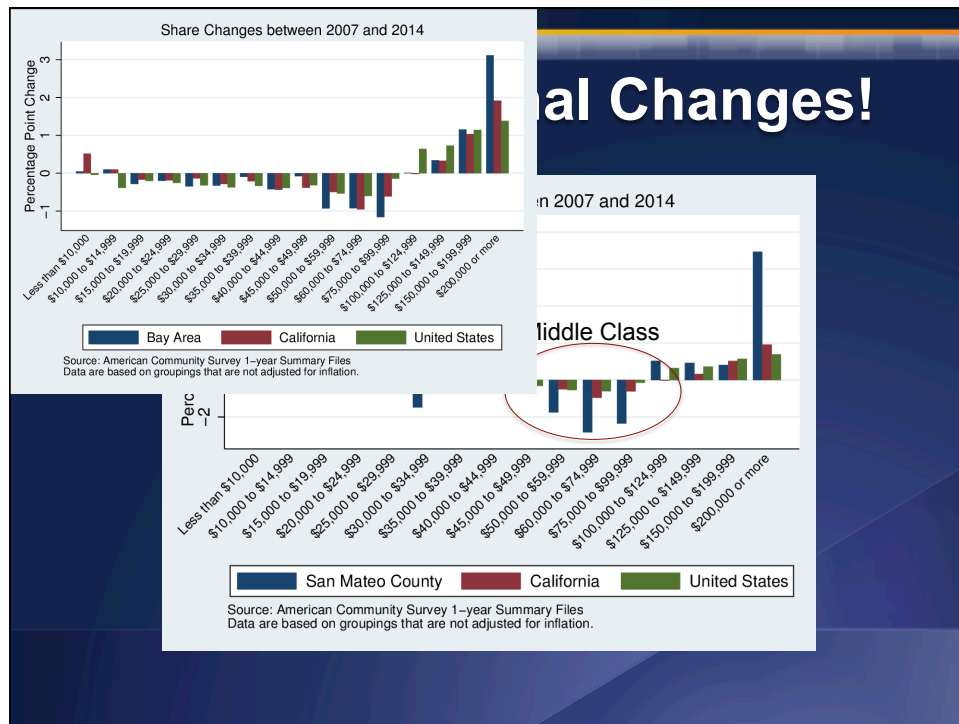
And the Middle Class?

Households with income between 2/3 of and 2 x Median HH Income
\$35,000 - \$106,000



Perspective on the Middle Class in San Mateo County

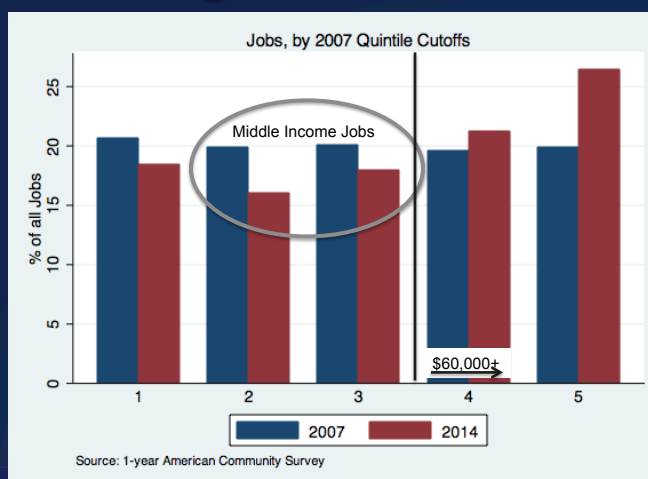




The Middle Class in the Bay Area: Pushmi Pullyu

- Pushmi:
 - Decline of available jobs
- Pullyu:
 - Cheaper homes elsewhere

Middle Income Jobs are A Declining Share of All Jobs



Geography: Bay Area

Manufacturing Jobs in the Bay Area

Employment is unchanged from 2007 to 2015 (300k)

Occupational shares – ARE NOT!

Occupations Gaining Share

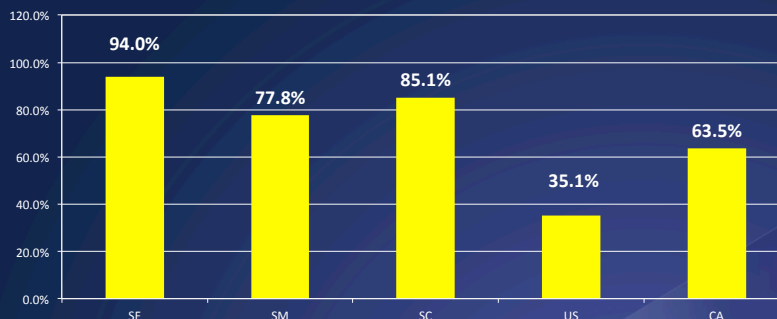
Architecture and Engineering	1.5
Life, Physical, and Social Science	0.9
Business and Financial Operations	0.5
Sales and Related	0.4
Community and Social Service	0.1
Construction and Extraction	0.1
Transportation and Material Moving	0.1

Occupations Losing Share

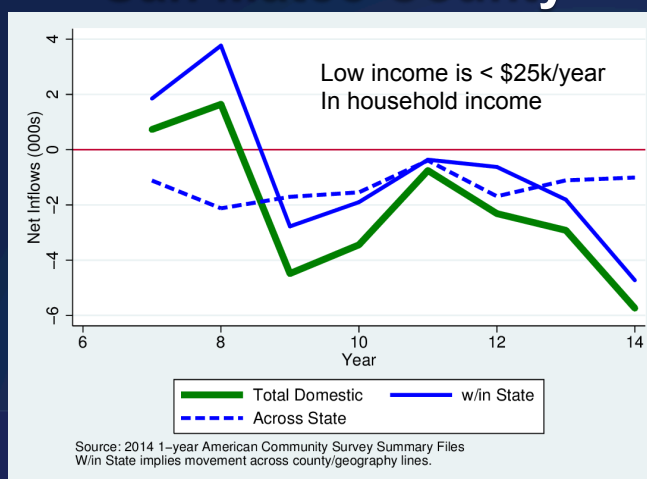
Computer and Mathematical	-0.2
Food Preparation and Serving Related	-0.2
Farming, Fishing, and Forestry	-0.2
Building and Grounds Cleaning	-0.3
Office and Administrative Support	-0.6
Production	-0.6
Management	-0.8
Installation, Maintenance, and Repair	-0.8

Home Prices are Driving out the Middle Class

Increase in Median Sales Price of Existing Homes March 2012-2016



High Rents are Driving Out Low Income Residents: San Mateo County



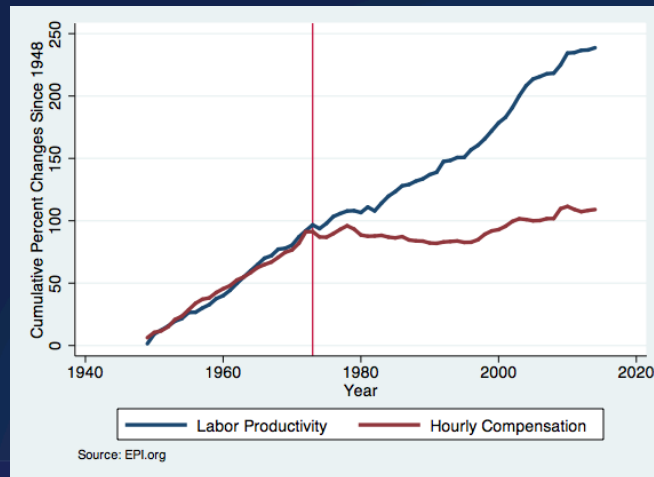
Interim Summary

- Inequality has been inexorably rising for more than 30 years
- Poverty is a bigger problem than government statistics suggest
- The middle class is rapidly shrinking
 - Being driven out of the Bay Area

Causes of Widening Inequality

- Globalization
 - NAFTA
- Technology
 - Uber/Lyft and labor saving technology
- Domestic policies
 - Citizen's United
 - Tax policies increasingly favorable to the wealthy
 - Anti-union since 1950s
- Government inaction
 - Could do more to:
 - Promote the general welfare of workers (new overtime rule!)
 - Push back on technologies
 - Regulate the financial sector

Labor Stopped Getting Its Due in 1973



Globalization

- NAFTA
- Mechanism:
 - US corporations are transferring jobs overseas at a rapid rate
 - Primarily low wage, low skilled jobs
 - Reducing bargaining power at all levels

Technology

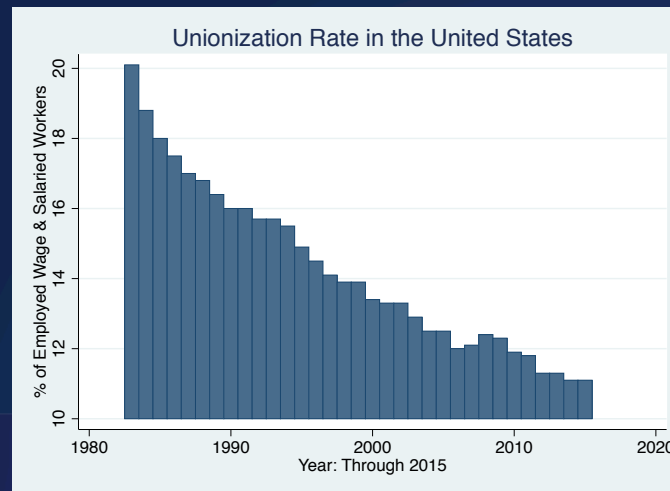
- Skill bias in technology developments
- Concentration of ownership/management
 - Uber/Lyft – replacing many taxis and taxi companies with a single/small number of business owners – oligopoly
- Autonomous vehicles
 - Will have an enormous impact on unskilled workers

Undermining Unions

- Right to Work
- Taft-Hartley Act of 1947
 - Restricts the activities and power of labor unions
 - On strikes and political donations by unions
- 1978 started attacks on labor protections through NLRB and lobbying by business
- Reagan – air traffic controllers
- Result: less unionization, less union influence
 - Strikes: 371 in 1970, 11 in 2010

Unionization Rates are Plummeting

Unionization peaked at 35% in the mid-50s



Why does it matter?

- Corporate revenue goes to:
 - Returns to labor
 - Returns to capital
 - Rent due to market power
 - This is something for labor and employers to bargain over
 - Lower unionization rates = less labor bargaining power
- Total corporate profits have been rising very rapidly in the last 25 years

Government Inaction

- Failure to push back on attacks on unions
- Failure to maintain minimum wages
- Failure to maintain safety and health standards associated with regulated industries
 - Taxis – there is a reason taxis are inspected and drivers are credentialed
- Partly the result of declining union influence
 - See France

Why Does it Matter?

- Middle class is an economic engine
 - These are the job creators!
- Diverse labor force = diverse economy
 - More robust economy
- Reduction of labor supply for services
 - Costs of services go up
- Corruption of democracy
 - Power in the hands of very few
 - Likely reduction in the provision of government services
 - Affects the least well off the most

Solutions?

- Middle Class
 - Nationwide deterioration
 - Locally, exodus: need to build housing
- Middle Class and Inequality are part of the same puzzle
- How do we address inequality?

Addressing Inequality: Immediately Available

- Redistribution
 - Tax and transfer programs
- PRedistribution
 - Reverse anti-union bias
 - Minimum wages
 - Collective bargaining

Addressing Inequality: Immediately Available (con't)

- Other
 - Enforce anti-trust laws, reverse trends in market power
- Locally
 - Employment services: job training, interview skills, or assistance with day to day issues, such as child care
 - Cognizance of the potential for technologies to affect worker/employer power dynamics

Addressing Inequality: Long Term

- It's all about access to resources:
 - Education, in particular
 - Improve public education
 - Reduce disparities in quality of public education
 - Improve counseling in low income schools
 - With respect to college – paths to success and funding
 - Improving access to college is **too late**
 - Investing in college level entrepreneurship programs is **too late**
 - Investments are needed in early education, not later
 - Universal pre-K
 - Upgrade quality of elementary schools in low income areas

Summary

- Income inequality is a growing and important problem
 - Bad for economic growth
 - Bad for social cohesion
- Slew of forces working against labor
 - Globalization, technology, declining unionization
- No countervailing force
 - From government
 - From organized labor
- Results in uncomfortable phenomenon:
 - Trump

Questions?

Marin Economic Consulting

- *Regional Analysis*
- *Business & Market Analysis*
- *Ports & Infrastructure Analysis*
- *Economic Impact Analysis*
- *Public Policy Analysis*
- *CEDS Support*

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