

I Executive Summary

Poverty and Prosperity In the New Economy offers an in-depth dynamic picture of how the economic benefits of almost two decades of sustained regional economic growth in San Diego County have been distributed among the population, and suggests how this is likely to impact future economic and social progress. By analyzing data on regional economic growth, employment and earnings, and social and community life indicators, *Prosperity and Poverty In the New Economy* provides a comprehensive overview of our region's well-being.

Since 1980, San Diego County has experienced strong economic and population growth. Despite employment losses in middle-income occupations resulting from increased globalization and restructuring, and from Department of Defense cutbacks following the end of the Cold War, the region not only weathered the recession of the early 1990s but is once again on the path of economic growth.

While there is certainly much to cheer about and to look forward to in the near future, not everyone in "America's Finest City," is sharing in the rewards of economic prosperity. On one hand, San Diego's climate, high-quality universities and educated populace offer the promise of a competitive and prosperous economy with a high quality of life. Unfortunately, our analysis of the regional economy suggests that recent economic prosperity has been accompanied by increased earnings inequality, rising poverty, and general economic insecurity and uncertainty. Simply put, a small proportion of the population is sharing the benefits of the growing regional economy.

Concern about some of the less flattering aspects of our region's economic performance goes beyond altruism. Rather, economic inequality and uncertainty have the potential to affect all San Diegans. One recent study, for instance, showed that across the United States, lower regional economic inequality and greater trust between businesses, government, and communities lead to higher levels of economic growth. In short, "doing good and doing well went hand in hand" (Pastor, Drier, Grigsby and Lopez-Garza 1997).

The major findings of this report are summarized below:

1. Triumphant Economic Growth: Although San Diego County’s economic growth was stagnant from 1990 to 1995, since 1980 regional economic growth has doubled from \$41.3 to \$79.9 billion (Figure 3.1). Per capita Gross Regional Product increased 32 percent over the same time period – from \$22,147 to \$29,135 (Figure 3.2).

2. More Educated, More Diverse and Working Harder: Many working-age residents today are spending more time and money educating themselves and are working more. In San Diego’s increasingly diverse population, people of color will soon be the majority.

- The proportion of persons aged 18 to 64 who completed some college or earned a college degree rose from 48.7 to 59 percent between 1980 and 1997. The share of those who completed college rose only slightly from 20 to 24 percent (Figure 4.9).

- Non-White remain substantially less well educated than White persons, while women (except Latinas) have essentially closed the educational gap between themselves and their male counterparts (Figures 4.10 - 4.12).

- Since 1980, fully 4.9 percent more of the San Diego County population is working in the market economy, a result that has been driven mainly by increased female labor force participation (Figure 5.1).

- Although the size of all major ethno-racial groups grew from 1980 to 1997, the White population continues to diminish proportionally (Figure 4.1). Today, fully 58% of the population below 18 years of age are people of color indicating a far more diverse population in the future.

- The foreign-born grew six times as fast as the native-born population, but remains only 25 percent of the total number of San Diego County residents (Figures 4.5 and 4.6).

3. Stagnating Median Wages and Rising Inequality: Despite dynamic recent economic growth and a more dedicated workforce, the annual wage and salary income of the median worker has remained flat at about \$20,000 and the gap between the highest

and lowest income earners has widened considerably since 1980.

- Although real per capita income has risen somewhat, the distribution of income has been uneven across the working population (Figure 5.15). In 1980 the top 5th percentile earned \$58,676 per year, and the lowest 5th earned only \$2,321. By 1997 the former's earnings increased 28 percent to \$75,000 and the latter's by 34 percent to \$3,120. The income gap, however, grew by 28 percent between the wealthiest and poorest San Diegans.

- The “growth-income gap” has more than doubled since 1980 (Figure 5.14), implying that over time a larger component of economic growth is being distributed in non-wage and non-salary forms of income – return on investments such as rent, dividends and interest payments.

- While White and Latino males earned more in 1997 than in 1980, African Americans and Asians earned less. And, while the gender gap declined for all non-Latinos, white women and Latinas still earn considerably less than their male counterparts. African American and Asian women, however, have made substantial progress. These are interesting findings in light of our results above that reveal a narrowing education gap between males and females of various ethno-racial groups (Figure 4.11). Continued gender disparity for Latinos and Whites is explained not by differences in the proportion of males and females working in Managerial and Professional occupations, rather by the fact that a higher share of women work in Administrative and Technical Support and Service positions compared to men (Figure 5.16).

- Education still plays an important role in influencing potential income but only more highly educated persons (those with some college or those with a college degree) experienced a rise in their real annual incomes between 1980 and 1997 (Figure 5.17).

4. More Working and Poor: Using the official income threshold employed by the Bureau of the Census, the proportion of all San Diegans living in poverty rose from 11 to 19 percent – higher than both California (16.8 percent) and the nation (13.3 percent) – during the past two decades. The majority of poor San Diegans are working people.

- Using a less conservative income threshold, poverty has risen from 22 to 32 percent over the past two decades (Figure 6.3) in San Diego County.
- Using conservative thresholds, 51 percent of African Americans, 32 percent of Latinos, 18 percent of Asians and 10 percent of White individuals were impoverished in 1997 (Figure 6.4); as were 21 and 17 percent of females and males, respectively. Children and young adults were also much more likely to be living in poverty (Figure 6.5).
- A surprising 59 percent of all adults aged 18 to 64 who experienced poverty in 1997 were either employed (51 percent) or looking for work (8 percent) (Figure 6.6). One out of every ten (or 130,000) working persons did not earn enough to escape poverty in 1997.
- Trade and Private Service industries have been characterized by a growing share of jobs that pay poverty-level incomes. Yet, Agriculture and Mining, Construction, Private Service and Trade industries also had at least 10 percent of their workforces receiving poverty-level wages in 1997 (Figure 6.7).

5. Economic Restructuring – a Growing Service Sector: A shift away from Manufacturing, Construction, and Public Sector employment and toward Service Sector employment has characterized recent economic growth. Today's economy continues to require both higher- and lower-skilled workers.

- Employment in Private Service and Trade sectors has grown most rapidly since 1980 (Figures 5.3) and has been characterized by a lower average income (Figures 5.18), greater reliance on part-time labor (Figures 5.7), and large proportions of female (Figures 5.6) and non-white workers (Figures 5.5).
- Recent economic growth has been characterized by an increased privatization of production. For instance, persons employed by Private sector firms rose from 60 to 74 percent and those employed in the Public sector fell from 31 to 14 percent (Figure 5.13).

- Union members' weekly earnings were 42 to 54 percent higher than non-unionized persons between 1984 and 1997 (Figure 5.20). In 1997, for instance, unionized jobs paid a weekly average of \$574 while non-unionized workers received only \$382 per week on average.

- Although unionization rates have been in decline overall in recent decades (from 19 to 13 percent in San Diego County in the last two decades), there are notable exceptions. Higher percentages of women (Figure 5.21), employees in the Public sector (Figure 5.22) and in Construction and Private Services industries (Figure 5.23) as well as Managerial and Professional occupations (Figure 5.24) were union members in 1997.

6. Rising Costs of Living: Widening economic inequality alongside increases in the cost of living is leading to a declining standard of living for most workers and their families.

- Though the housing stock increased by 60,503 units between 1990 and 1997, the rate of growth has been slower than the rate of population growth. Increased overcrowding and lower vacancy rates (Figure 6.14) have resulted in rising housing prices (Figure 6.15) and rents (Figure 6.16) since 1980, with the latter now representing about forty percent of household income (Figure 6.17).

- The use of public transportation for getting to work remains negligible, and the use of privately owned transportation has risen from 84 to 94 percent (Figure 6.20). This trend has shifted more of the costs of travelling back and forth to work onto individual workers.

- There is an under-supply of childcare providers for an estimated 312,500 children whose parents work. The cost of care for one child ranged from \$78 to \$144 (or from 18 to 34 percent of earnings) per week in 1996, depending on the age of the child and the type of care.

- Approximately 47 percent of all persons who had health insurance in 1995-97 had at least part of it paid for by their employer (Figure 6.23) compared to 72 percent in the nation receiving employer-based coverage. Twenty-two percent of all San Diegans do

not have health insurance (Figure 6.22) compared with 20 percent of all Californians and 16 percent of those living in the United States.

- Latinos (Figure 6.24), males (Figure 6.25), and persons under 24 years of age (Figure 6.26) are significantly less likely to have health insurance in San Diego County.
- From 21 to 72 percent of all adult workers (depending on marital status and number of children) did not have jobs that paid enough to support themselves and their families in 1997, with single parent households much more likely to be in such a situation. Still, at least 38 percent of two-income families do not earn a sufficient household income (Figures 6.27 and 6.28). Women, regardless of marital status and number of children, are more likely than men to be working in a job that does not pay a sufficient wage (Figure 6.29).