

Prosperity and Poverty In the New Economy



**A Report on the Social and Economic Status of
Working People In San Diego County**

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Foreword by

Donald Cohen

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Foreword

Growth without Development

Although San Diego County's economy has grown remarkably over the past two decades, not all San Diegans have benefited from this growth. Regional growth and average income are on the rise and unemployment has reached historic lows. But when viewed from the perspectives of many working San Diegans, we get a different picture. Instead of a single prospering economy, it appears that multiple economies – separated by race, ethnicity, gender and level of education – coexist.

Alongside a thriving high-tech, high-wage economy is a rapidly growing low-wage service sector. Unfortunately, thousands of workers hoping to hitch their fortunes to an increasingly globalized, restructured economy remain anchored to jobs promising little economic security or future employment opportunity.

Diane Fritz, the mother of a four-year old daughter, was one of the many former General Dynamics workers who accepted a forty-percent pay cut to work as a temporary employee at Qualcomm. She was initially told that after 90 days her position would be rolled over into permanent employee status. That three-month period was lengthened to six, but just before the extended deadline, Diane was laid off along with 600 other temporary employees.

Enid Mayer has been a bus driver with the Red Cross. Today, after 8 years of service, she earns \$6.50 per hour. While some years she received a twenty-five-cent per hour pay increase, in others she received none. Enid notes that "every time we get a raise, everything else goes up - like benefits." Her benefits used to cover vision care, but that was taken away. Furthermore, her husband has diabetes, so having a job with some health benefits means everything to Enid -- "If I had to pay the medical costs out of my pocket, I'd be homeless."

Diane and Enid work at companies in San Diego that provide valuable but very different services to the region's population. And although one lost her job due to corporate "downsizing" and the other has experienced low wages and inadequate pay increases, the impact on their well-being has been similar. Both are being forced to adjust to an economy that offers less attractive and less rewarding employment opportunities, and consequently less economic security.

Despite dramatic economic growth in the globalized and restructured economy, the overwhelming majority of workers are putting in longer hours for smaller paychecks from less secure jobs.

The Hourglass Economy

Diane and Enid's experiences are not unique. Despite dramatic economic growth in the globalized and restructured economy, the overwhelming majority of workers are putting in longer hours for smaller paychecks from less secure jobs. More family members are going to work just to keep family incomes stable, young adults are returning to their parent's homes because they can't make it on their own, and fewer people have health insurance coverage.

At the heart of recent structural changes in our regional economy is the erosion of stable employment opportunities. Ironically, in the midst of economic prosperity, the San Diego County workforce continues to be confronted with corporate "downsizing," which translates into declining middle-income employment opportunities as the number of contingent (e.g., part-time and temporary) workers escalates.

Above all, growing economic inequality and poverty, and declining wages and purchasing power for low- and middle-income workers has accompanied the tremendous economic growth our economy has experienced over the past two decades.

In short, an hourglass economy is developing in which those with the skills and social networks to make it in growing high-tech industries are prospering and those filling the ranks of fast growing low-wage service industries are sliding backwards.

A Call for a New Social Contract

Prosperity and Poverty In the New Economy, the Center on Policy Initiatives' first report, investigates the well-being of all San Diegans – as opposed to the "average" San Diegan – in our new economy. We ask whether San Diego County has been prospering economically since 1980, and whether we are creating an economy where the benefits of prosperity are widely shared. To this end, this report looks at some of the key elements of socioeconomic well-being – demographic shifts, income, education, health insurance coverage, unionization rates, poverty and the cost of living.

Furthermore, this study lays the groundwork for the Center on Policy Initiative's next reports, which will look more deeply at the challenges faced by workers and the industrial structure of our economy. In short, this inaugural report examines the characteristics of working persons and what they offer the regional economy. Our next reports will describe the impact of the new economy on the lives and futures of workers, families and communities in the region and study the characteristics of businesses in the San Diego region and what they offer. In the end, we hope that these studies will provide a

clear picture of what workers and businesses need to prosper together, and how government and community-based organizations can facilitate greater regional cooperation.

Prosperity and Poverty In the New Economy defines a decent standard of living quite simply. It includes the opportunity to have a stable job, affordable and adequate housing, health insurance, a secure retirement fund, and being able to send your children to a good school and saving something so that they can have the opportunity to go to college.

It used to be true that businesses and employees prospered together. Today this is no longer the case. The majority of workers in San Diego County are working harder and longer, but earning less. In the context of the new economy, what is needed is a new social contract that recognizes that businesses must remain competitive but also that workers and families must have the opportunity to earn a decent and secure standard of living. This is nothing less than an acknowledgement that both businesses and workers desire similar things – economic reward and security in return for hard work and investment. And that an economy cannot be healthy without healthy families.

There is little doubt that San Diego is experiencing a period of prosperity. But how that prosperity is being shared is the result of public policy, political decisions and economic relationships. Thus, together we have the potential to create an economy characterized by more broadly shared economic prosperity.

We believe that now is the best time to find common ground on which we can commit to a shared vision of and commitment to living wages, healthy communities and a fair economy.

As we go to press, economic uncertainty in international markets has raised a dark cloud over the San Diego region. We do not yet know the full effect on the United States of the weakening of large regional markets such as Japan and Brazil. We can predict, though, that a downturn in the U.S. economy will fall most harshly on poor and struggling lower- and middle-income workers – precisely those who have been falling behind in times of growth and prosperity.

Donald Cohen
President and Co-Founder
Center on Policy Initiatives
December 1998

What is needed is a new social contract that recognizes that businesses must remain competitive but also that workers and families must have the opportunity to earn a decent and secure standard of living.

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).

II Introduction

Prosperity and Poverty In the New Economy offers a comprehensive regional socio-economic profile of those living in San Diego County, with a special focus on the working population and their families. It provides a detailed analysis of how the region has prospered economically and how growth has been distributed among the labor force. Specifically, we investigate trends in economic growth, employment, earnings, inequality and poverty. Our purpose in doing so is to foster an informed discussion of our region's economic well-being that includes not only how competitive local businesses are globally, but also how this competitiveness can lead to an improved quality of life for area residents.

Welfare reform has led to a new conversation about work in America. The underlying premise of the new "welfare-to-work" legislation is that moving people off of public assistance and into jobs will automatically improve their economic well-being. More often, in the age of competition, prosperity and individual responsibility, poverty and inadequate earnings are associated with personal laziness or imprudent behavior. It follows that the institutional or structural factors contributing to rising poverty, economic inequality, and social disharmony are rarely considered seriously.

Most economists agree that there are winners and losers in any economy. Some argue, further, that certain adverse consequences such as inequality and poverty are simply costs of progress. In what follows we argue that San Diegans can influence how these effects impact different segments of society. By doing so we hope to initiate discussion of the influence of structural factors in our regional economy, and how we can begin to craft proactive policy to create an economy that lifts the economic well-being of the entire region.

Triumphant Growth in "America's Finest City"

San Diego is often referred to as "America's Finest City." The reasons are several, but topping the list have been climate and economic opportunity. San Diego County has grown faster economically than the state of California since 1980. In fact, in inflation-adjusted 1995 dollars (that is, accounting for cost of living increases), Gross Regional

Product almost doubled between 1980 and 1997 – from \$41.3 to \$79.9 billion. Similarly, despite strong population growth, per capita (or average) GRP rose by 32 percent – from \$22,147 to \$29,135 annually. Thus, *on average*, the economy and its workforce has prospered remarkably.

Measuring Progress in the New Regional Economy

Average indicators of economic progress, however, conceal how particular groups of people are doing economically. Average indicators can also be misleading. For example, it does not necessarily follow that because the economy has grown since 1980 that average income has also. Thus, an assessment of the regional economy based on average economic growth alone paints an overly optimistic picture of the quality of life for many working persons and their families. But even if average income has risen along with average product, the region's well-being may not have.

A better indicator of economic progress would consider how the real incomes of persons at the bottom, middle and top of the income distribution have changed over time. Moreover, what is needed is an analysis that studies how various ethno-racial groups have fared during this period of economic prosperity, how female and male incomes differ, and how educational attainment affects employment and earnings. As an example, our analysis shows that, although those with higher levels of education were the only persons who saw their real incomes rise since 1980, education alone does not explain continued gender income inequality.

A comprehensive measurement of regional economic health would also include an examination of the availability of affordable health insurance and housing, childcare, transportation, a healthy environment, and a host of other indicators that affect the potential for sustainable economic growth. While *Prosperity and Poverty* does not try to measure all of these indicators of economic well-being, it does attempt to address some of them.

Outline of Report

Prosperity and Poverty In the New Economy is separated into five sections. The section entitled "Triumphant Economic Growth" reviews how San Diego County, or what we will also refer to as "the region," grew economically between 1980 and 1997. It also discusses how economic inequality can be expected to impact future economic growth. We argue that it is in the interest of all San Diegans to focus on a broader definition of economic well-being – *economic development* – rather than *economic growth*.

The "Who We Are and How We've Changed" section provides a statistical portrait of population growth and demographic change, drawing attention to differences in educational attainment by gender and ethno-racial group.

The next section – "Where We Work and How Much We Earn" – highlights the changes in employment and income patterns, the impact of government downsizing and privatization, and the role of unions.

In "Socioeconomic Well-Being," issues such as poverty, wealth, and the cost of living are discussed separately, and then brought together to address how the quality of life in San Diego County has deteriorated for many working people. We conclude in a final section with a discussion of the implications of our findings.

III Triumphant Regional Economic Growth

Twice as Productive in Less than Two Decades

San Diego County has been growing faster economically than the entire state of California since 1980, but has not kept pace with the national rate of growth. According to a recent San Diego Association of Governments study (SANDAG 1998a) per capita income in the United States grew by an impressive 22 percent between 1980 and 1994, by seven percent in San Diego County, and by only three percent in California. Thus, although the San Diego region¹ has prospered since the beginning of the last decade, it has not fared as well as 20 comparable U.S. metropolitan areas.²

However, any consideration of the region's economic health should not lose sight of the fact that the region has and continues to prosper remarkably. For instance, San Diego County's inflation-adjusted (real) Gross Regional Product (GRP) almost doubled from \$41.3 to \$79.9 billion from 1980 to 1997 (Figure 3.1), and real GRP per head increased from \$22,147 to \$29,135 - a 32 percent rise (Figure 3.2). Importantly, although real GRP flattened and real per capita GRP fell between 1989 and 1995, both have subsequently recovered and are rising sharply. In short, despite the economic downturn following the end of the Cold War and the loss of over 20,000 higher-skilled and higher-paid defense industry jobs in San Diego, the region has performed surprisingly well.³

The Difference Between Economic Growth and Development

Consistent with the notion that more is always better, few question the general desirability or consequences of regional economic prosperity. For purposes of this report, *economic growth* is defined as a rise in regional, or per capita regional, production and income. *Economic development*, on the other hand, is defined more broadly and includes key socio-economic outcomes such as participation in the decision-making process of public resource use and enjoyment in the benefits of economic growth (Gillis, Perkins, Roemer, and Snodgrass 1996: 7-15). Simply put, economic growth focuses only on increases in the size of the economic pie, and economic development focuses on both the diameter of the pie and who gets the biggest and smallest slices.

Economic growth focuses only on increases in the size of the economic pie, and economic development focuses on both the diameter of the pie and who gets the biggest and smallest slices.

¹ For purposes of this report we define the San Diego "region" as San Diego County.

² San Diego County ranked 8th in terms of per capita earnings rate in 1989, but fell to 14th by 1994 (SANDAG 1998a: 6)

³ Using an input-output methodology SANDAG's Demographic and Economic Forecasting model produces only slightly different GRP figures than those reported in the United Way (1998; 1996) reports. The latter are produced by the San Diego Chamber of Commerce.

Figure 3.1: Gross Regional Product (GRP), San Diego County, 1980-1997

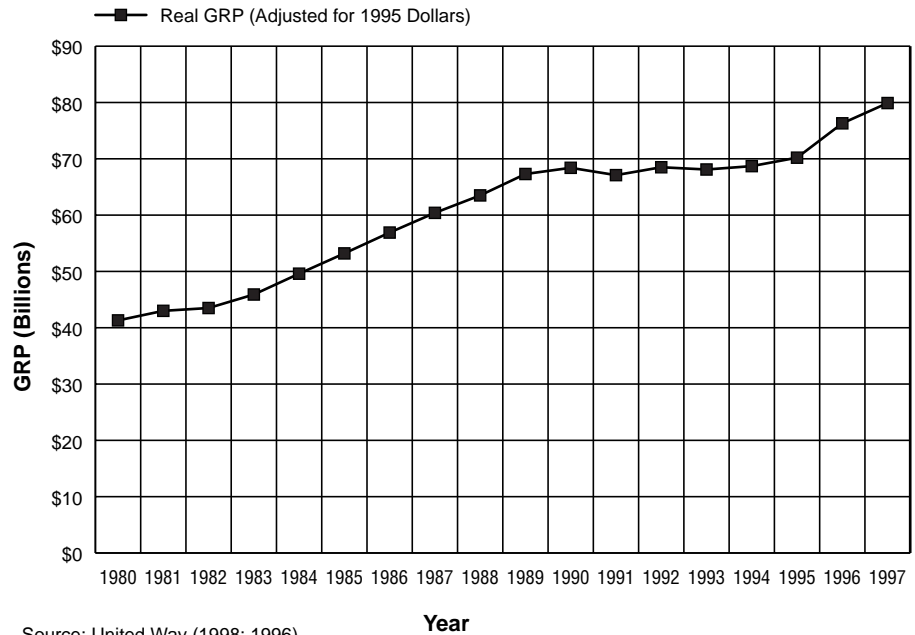
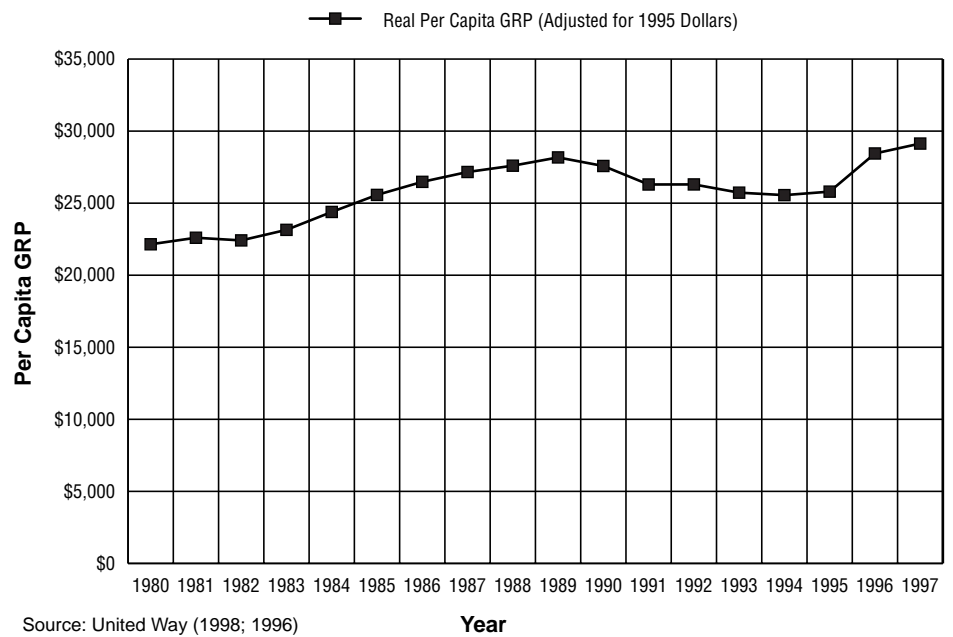


Figure 3.2: Per Capita Gross Regional Product (GRP), San Diego County, 1980-1997



How Economic Inequality Can Slow Economic Growth

Economic development and potential economic growth are not unrelated, however. And a concern for how the fruit of economic growth is distributed is important for reasons other than equity. A recent national study that ranked seventy-four major metropolitan areas in the United States by GRP, for instance, found that the lower the level of urban poverty in a region, the more robust its economic growth (Pastor, Drier, Grigsby and Lopez-Garza 1997). In other words, efforts to reduce economic inequality lead to improved regional economic performance even after controlling for other determinants of economic growth (e.g., technology, investment, trade) and for the poverty-reducing impact of growth itself.

The reasons are straightforward. First, while poverty can be a drain on scarce public resources, poor and the middle-class workers (most of whom are already working hard as we shall see in Section VI) are assets to the San Diego regional economy. Naturally, the lower the compensation for the value they produce – especially if not enough to sustain their families – the less willing or able they will be to buy into the economic system, the higher will be employee turnover, and the harder it will be for employers to find dedicated employees. In addition to the impact on our regional economy, poverty and economic inequality undermine our broader goal of creating a good society.

On the surface, the 1996 Federal-level Personal Responsibility and Work Opportunity Reconciliation (or "Welfare Reform") Act, and California's new CalWORKs welfare system, attest to the popularity of the view that work ought to be valued. But simply reducing the number of people receiving public assistance and putting them to work without paying attention to the quality of the jobs they fill and how long these will last, to child-care, and to affordable transportation may actually augment rather than ameliorate economic inequality. This is because unless there are enough good jobs for people being forced off of public assistance, former welfare recipients are unlikely to become self-sufficient.

Underemployment and Labor Shortages

No fewer than eight articles appeared over the past year in the San Diego Union Tribune regarding the supposed shortage of both higher- and lower-skilled workers.⁴ But despite historically low unemployment rates, geographical and ethno-racial pockets of unemployment and underemployment remain (Ross 1997: B7).⁵

For instance, despite unsuccessful efforts by the Agriculture industry to convince Congress to allow more agricultural (H2-A Visa) laborers to enter the United States each year, a U.S. Government Accounting Office (GAO) report showed that there is actually a surplus of agricultural workers (US GAO 1997). Alternatively, as of the writing of this report other corporations have convinced Congress to pass legislation that would permit more high-tech (H-1B Visa) workers to enter the U.S. Intel's recent lay-off of 3,000 workers because of slow computer sales (Goldsborough 1998: B7), is an example that suggests that such surpluses may actually exist among high-tech workers as well. In a local example, the opening of a Pacific Bell call center in November 1998 was met with over 2700 job applicants to fill 900 jobs.

This is not to suggest that high and low skill immigrant workers do not contribute substantially to the regional or national economy – in fact the opposite is probably the case (Marcelli and Heer 1997; Smith and Edmonston 1997). However, as hinted at above, there are already thousands of welfare-to-work entrants who have already begun to search for meaningful and rewarding work.

The underemployment of existing workers is a drag on the economic growth potential of a region. This is because a region will not benefit from the extra demand for goods and services that would exist if workers were being paid according to their skills. Thus, underemployment limits the economic gains that flow from mutually beneficial exchanges to employees and society more generally⁶. As evidence of this, the study referenced above (Pastor, Drier, Grigsby and Lopez-Garza 1997) also found that regions characterized by higher levels of collaboration and trust grew faster.

⁴ Examples include Goldsborough (1998: B7), Mendel (1998: C1), Calbreath (1998: C1), Stern (1998), and Seff (1998: H1).

⁵ Unemployment is a more general case of underemployment. A person is underemployed, for example, if she is working temporarily in a position for which she is overqualified.

⁶ The authors wish to thank Norris Clement for noting this.

Primed for Economic Growth or Decline?

San Diego County's tremendous economic growth since 1980 provides a unique opportunity to pursue a more equitable distribution of income. If recent research linking economic growth to a more equal distribution of income is correct, then the argument for pursuing this in San Diego County is even more compelling. In Sections V and VI we will consider economic inequality in the region over the past two decades. We will see whether the San Diego region is primed for future economic growth or decline. But first we sketch a picture of who lives and works in the region, and how we have changed demographically since 1980.

IV Who We Are and How We've Changed

The Pace and Geographical Distribution of Population Growth

Since 1980 the San Diego region has experienced rapid and profound demographic and economic changes. Numbering slightly less than two million people in 1980, San Diego County's population grew substantially to approximately two-and-a-half million by 1990 (Figure 4.1). Although the rate of population growth between 1980 and 1997 was 44 percent, it was 34.5 percent from 1980 to 1990, and has since slowed to 7.2 percent. Still, by 1997 a total of 2.7 million people were living in the region.⁷ Comparatively, California's total population grew from 24 to 32 million persons from 1980 to 1997, representing a somewhat lower growth rate (36 percent).

Due to this rapid population growth, the San Diego region has now become one of the largest metropolitan areas in the United States, with the city of San Diego ranking sixth in the nation (following New York, Los Angeles, Chicago, Houston and Philadelphia) and second only to Los Angeles in California (U.S. Bureau of the Census 1998). This

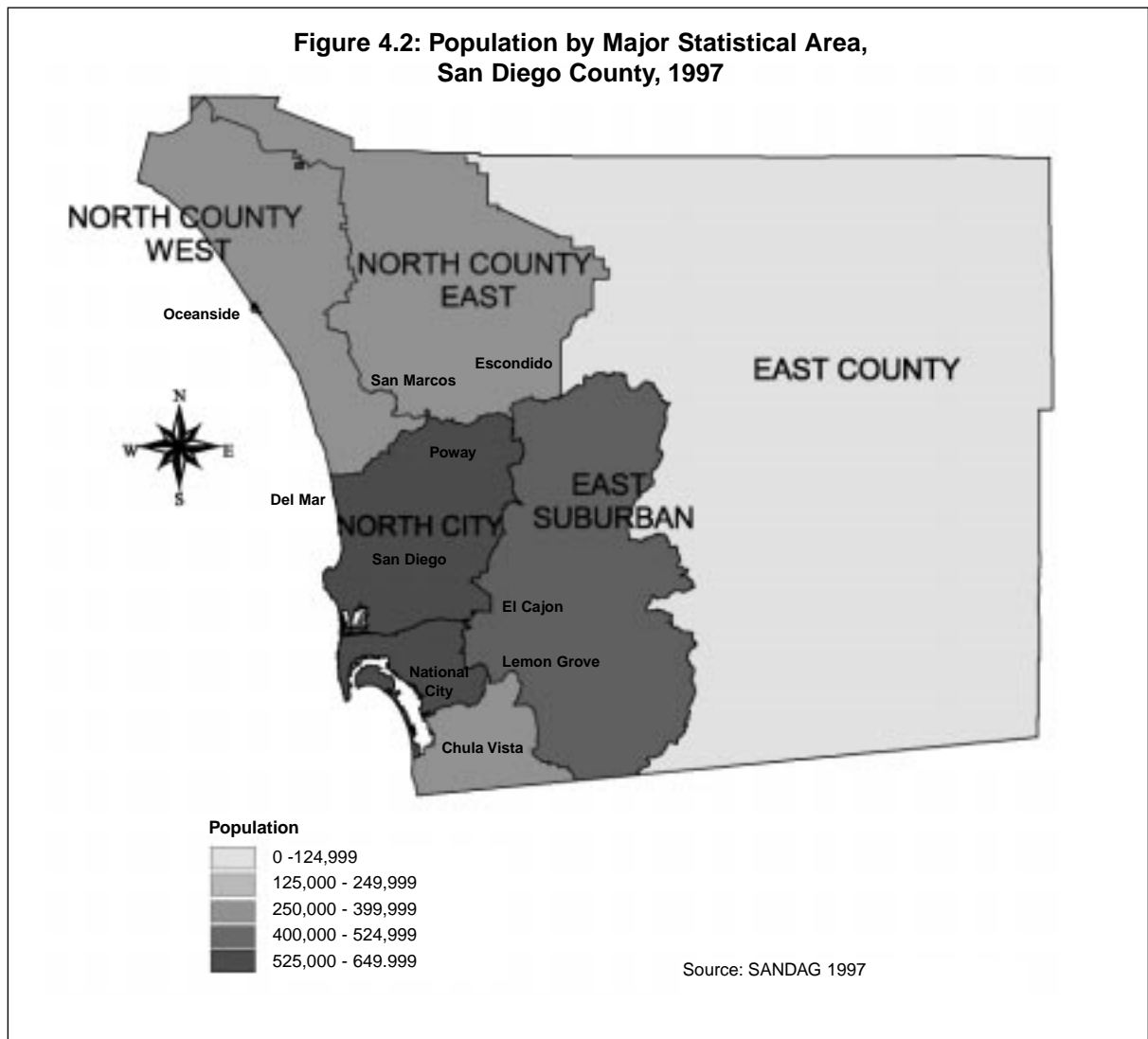
Figure 4.1: Population by Ethno-Racial Group, San Diego County, 1980-1997



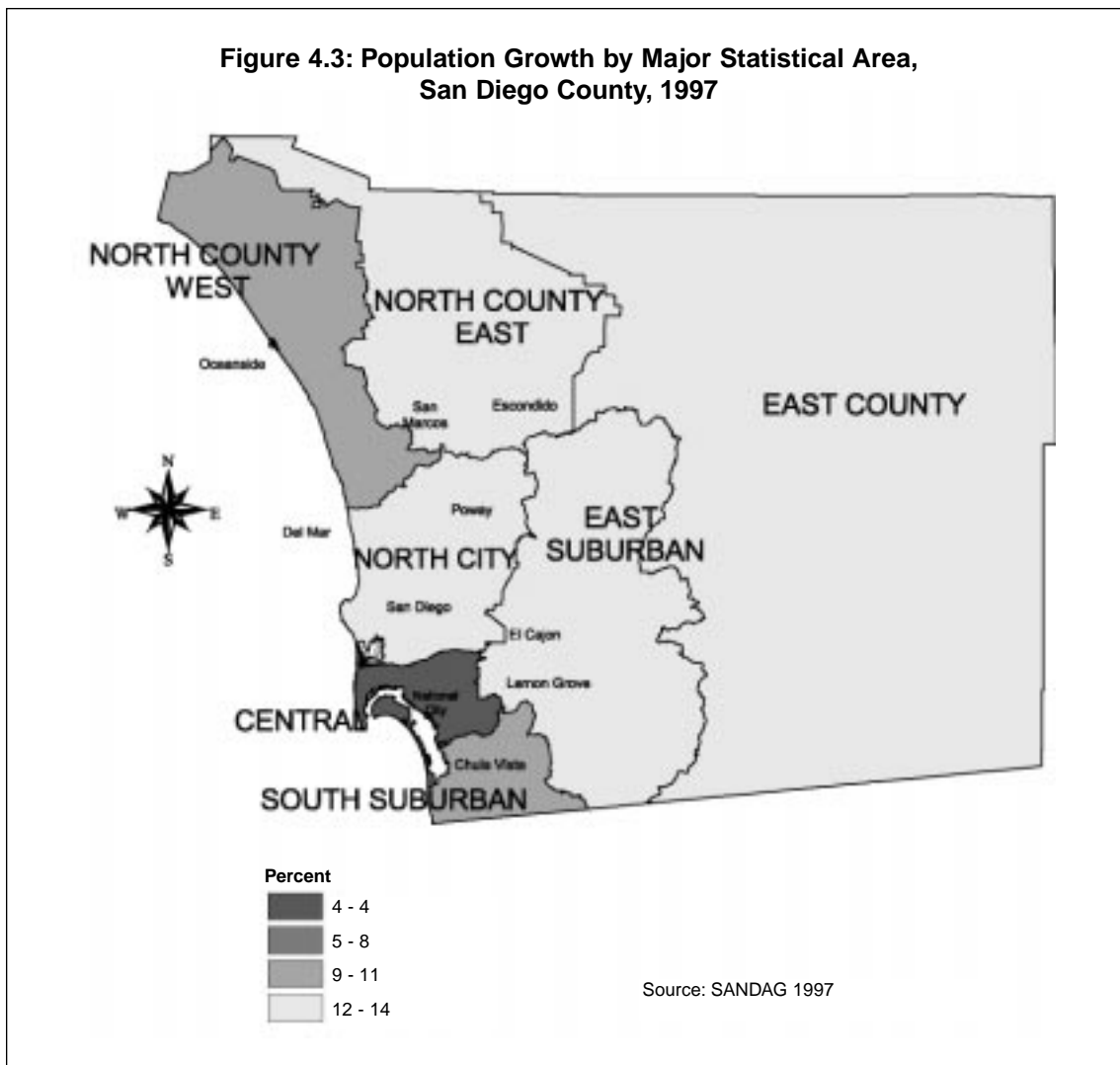
Source: 1980 and 1990 PUMS; 1997 CPS ORG.

⁷ San Diego County's population growth rate is expected to be approximately 25 percent from 2000 to 2015, with East County, North County East, and North City major Statistical Areas leading (author's computations made using data from SANDAG 1998b)

population growth was due to local births, domestic migration from Northeastern to "Sunbelt" cities such as Los Angeles, Phoenix, Houston, and San Diego, and international in-migration. While the Sunbelt regions experienced large population inflows from other areas in the country and from abroad, the population in Northeastern cities such as Philadelphia, Chicago, Detroit, and Washington, DC decreased significantly (Macionis and Parillo 1998: 76-85).



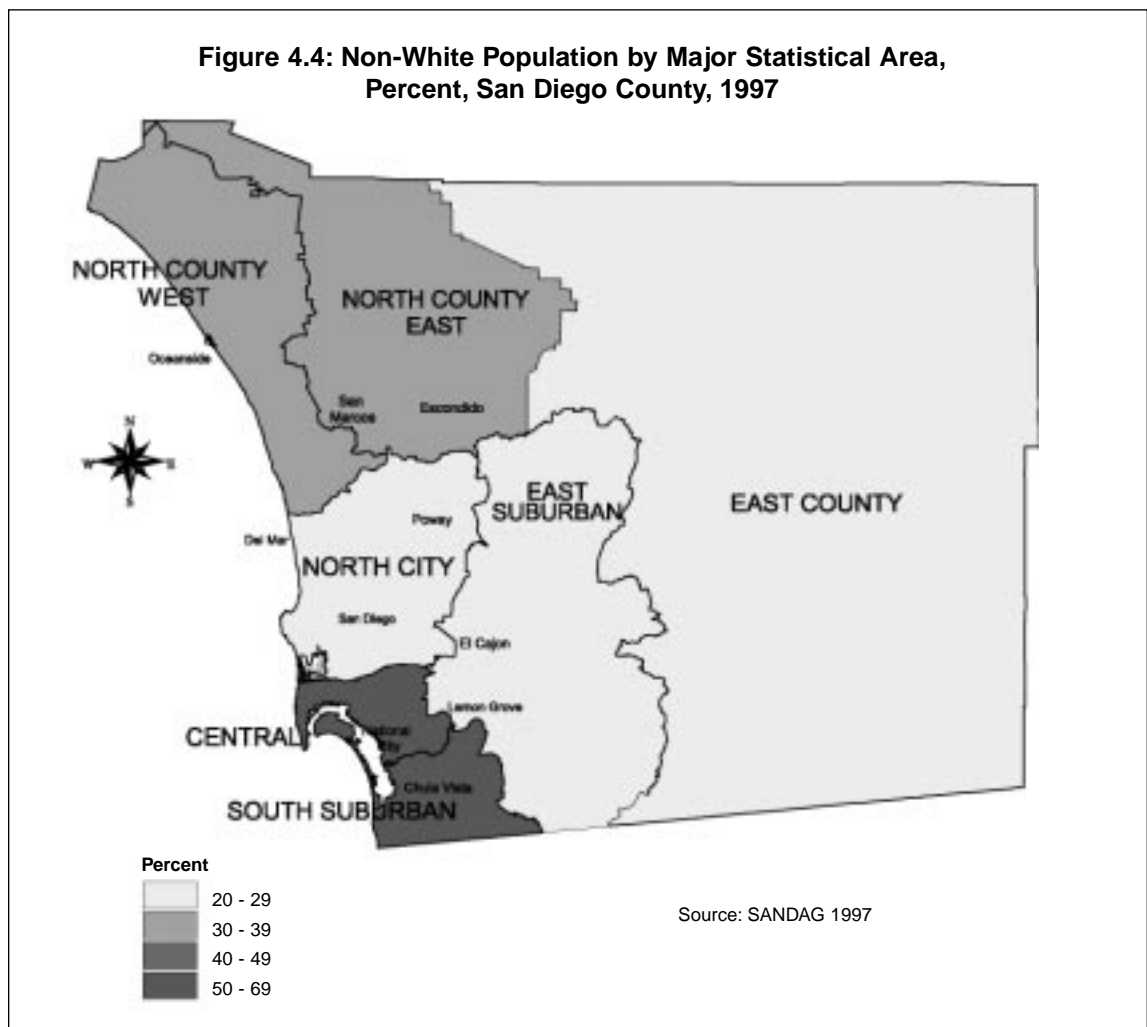
Population growth has affected San Diego County's seven Major Statistical Areas (MSAs) disproportionately.⁸ For example, in 1997 a majority of the population resided in the Central and North City MSAs (Figure 4.2). However, between 1990 and 1997, the East County MSA population increased by 13.8 percent and population in the Central MSA grew at a mere 4.3 percent (Figure 4.3). The City of San Marcos experienced the fastest population growth (26 percent), followed by Chula Vista (16 percent) and Oceanside (16 percent). Comparatively, the City of San Diego's population grew at an average rate of 8 percent.



⁸ The seven Major Statistical Areas (not to be confused with the U.S. Bureau of the Census' Metropolitan Statistical Areas of which San Diego County is one) are: Central, north City, South Suburban, East Suburban, north County West, North County East, and East County.

Rising Ethno-Racial Diversity North and South of the I-8

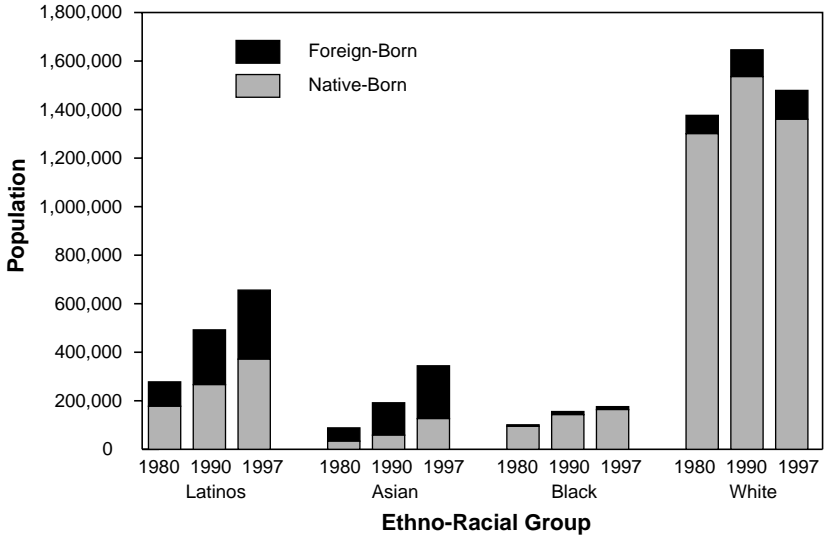
Population growth has been accompanied by increasing ethnic and racial diversity, which can be viewed geographically within the county (Figure 4.4). While Central and South Suburban MSAs have the largest non-White populations, North County East and West have also experienced the growth of more ethno-racially diverse populations. Although the absolute number of persons in each of the five ethno-racial groups listed below – (1) African American, (2) Asian, (3) Latino, (4) White, and (5) American Indian, Aleut, Eskimo and Other – rose over the seventeen-year period, there was a decrease in the proportion of White persons (Figure 4.1). While only 20 percent of the region's population were either Asian or Latino in 1980, this figure almost doubled by 1997. Meanwhile, there was a very small increase in African American (from 5.4 to 6.2 per-



cent) and other minority population (1.0 to 1.4 percent) representation, and a precipitous fall in the percent of the region's population who were White (from 74 to 55 percent). Still, some areas remain predominantly populated by White residents; others have seen an increasing share of non-White residents.

Unsurprisingly, international migration to the San Diego region has contributed to both overall population growth and greater ethno-racial diversity. For instance, foreign-born representation practically doubled from 1980 to 1997, and grew six times as fast as the native-born population (Figure 4.5)⁹. By 1997, however, those not born in the United States still constituted less than one-quarter of the region's total population. Although *native-born* Whites continue to be the dominant ethno-racial group in San Diego County, computations by the authors show their representation dropped from fully 70 percent of the total population in 1980 to approximately 50 percent by 1997. Conversely, the number of foreign-born Latinos almost tripled and the number of foreign-born Asians quadru-

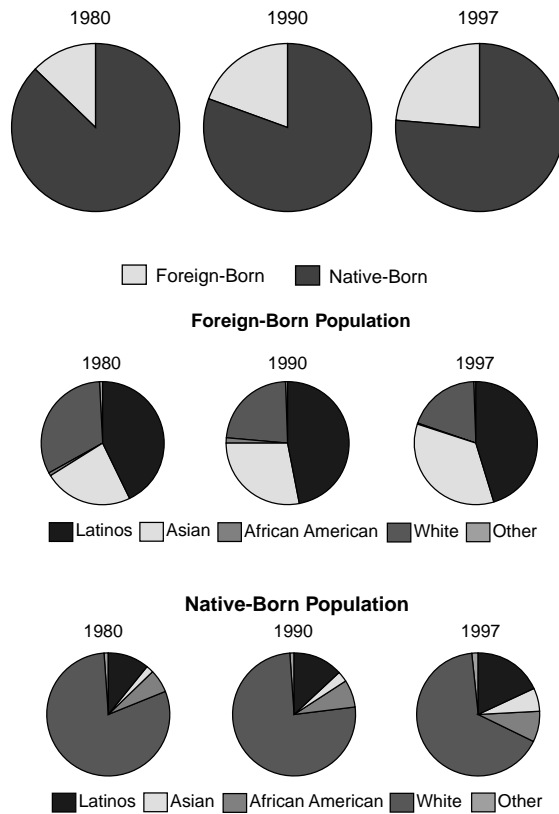
Figure 4.5: Ethno-Racial Groups by Nativity, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG
 Note: Insufficient number of observations for American Indian, Aleut, Eskimo and Other.

⁹ In Figure 4.5 and subsequent charts broken down by ethno-racial group, there are insufficient observations for American Indian, Aleut, Eskimo and Other, which are therefore excluded.

Figure 4.6: San Diego County Population, by Nativity and Ethno-Racial Group, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

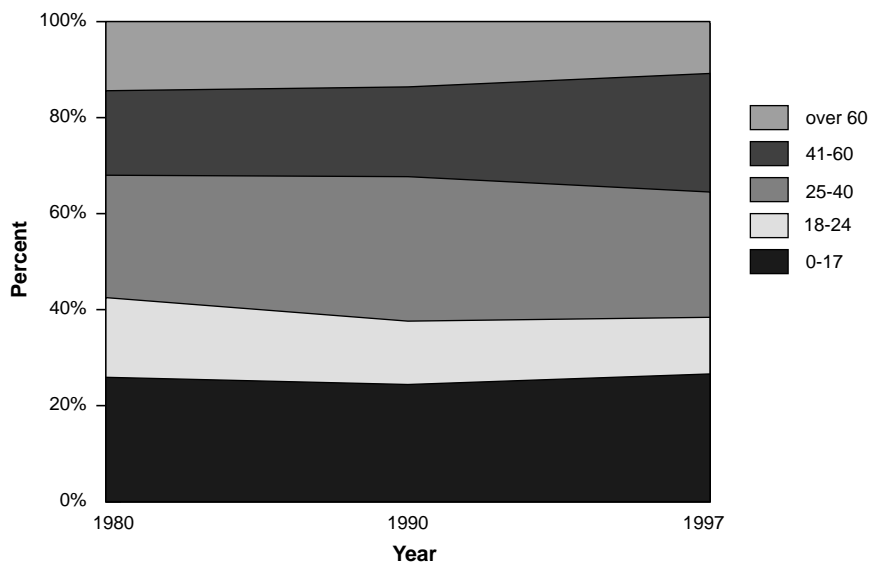
pled. Whereas in 1990 foreign-born Asians and Latinos constituted less than nine percent, by 1997 the former group accounted for almost 11 percent of the total population, and the latter for eight percent.

An Aging Population

Labor market experience and whether a person is dependent upon or contributes to others in the regional economy is often related to age. While children represent a potential contribution to the economy in the future, they rely on the work of others today. Similarly, retired persons are likely to contribute less to regional economic growth today than they may have in the past.

The age composition of San Diego County's resident population has undergone some small but nonetheless important changes during the last two decades (Figure 4.7). For instance, while the proportion of those aged 41 to 60 has risen from 19 to 25 percent, the proportion of those aged less than 25 remained fairly constant.

Figure 4.7: Population, by Age Category, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

Minority group children outnumber White children by three to two, and the "youth gap" is widening – 58% of people less than 18 years old are people of color.

An interesting fact is that the White population has contributed disproportionately to the aging population, and that ethno-racial minorities have added more to the younger segments. For example, while 20 percent of Whites were less than 18 years old, 16 percent were more than 60 years old in 1997. By contrast, 35 percent of Latinos were less than 18 years old while only 5 percent were more than 60. Similarly, 31 percent of Asians were less than 18 while 4 percent were more than 60 (Figure 4.8). Consequently, Latinos, Asians and African Americans are over-represented among the younger groups of the population and under-represented among the older groups. Despite a substantially larger White population, minority group children outnumber White children by three to two,

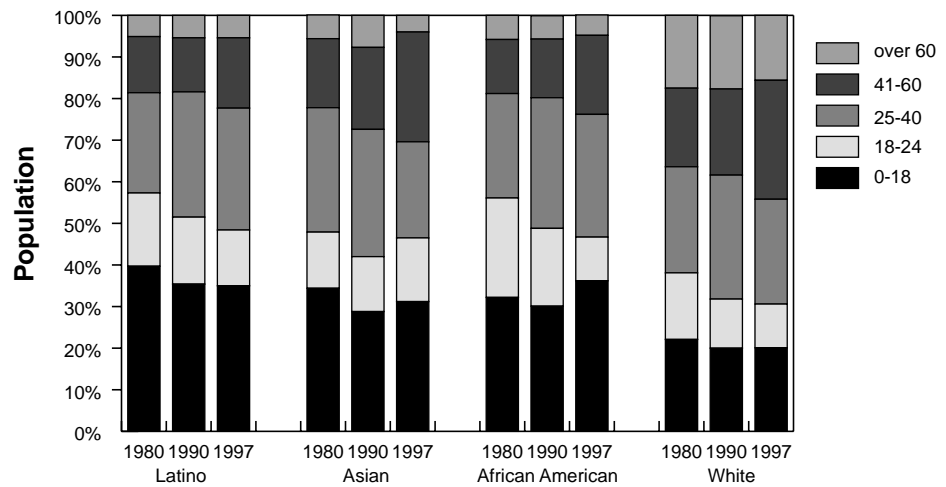
and the "youth gap" is widening (32% of people less than 18 years old are Latino, 15% are Asian, 8 percent are African American and 42% percent are White, while all Latinos represent 24% of population, Asians 12.8%, African Americans 6.2%, and Whites 55.1%).

The aging of the population may have important distributive consequences and policy implications. For instance, as will be shown in Section V, it appears that San Diegans are becoming increasingly dependent on non-White labor and younger workers to produce many of the goods and services consumed. As a region we would therefore benefit by ensuring that the work that is done by members of these two groups is compensated at a level that secures their continued health and economic well-being.

Educational Gaps

Social scientists and policymakers often look at the educational level of the workforce to predict where people can be expected to be working and what they can be expected to be earning. In general, the expectation is that someone with more education will have access to better jobs and will earn higher wages. In the San Diego region during 1997,

Figure 4.8: Age Profile of Population, by Ethno-Racial Group, San Diego County, 1980-1997



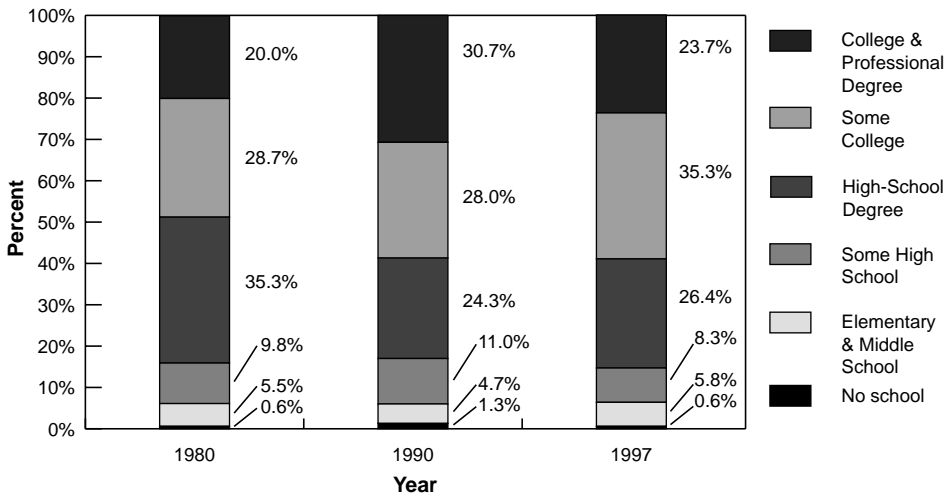
Source: 1980 and 1990 PUMS; 1997 CPS ORG

24 percent of the working age population (18-64) had a college or professional degree; 35 percent had taken some college courses; 26 percent had a high-school degree; eight percent had spent some time in high-school but had not graduated; six percent had had some elementary and middle school only; and less than one percent had no formal education (Figure 4.9). This is a noteworthy improvement from 1980 when four percent fewer adults had a college or professional degree.

It is interesting to note that in 1997 the proportion of people with a college or professional degree actually decreased compared to 1990. This implies that a larger proportion of people today have some college experience but have not completed their studies, and may simply reflect the increasing number of people who attend college while working full or part time. Most importantly for our purposes, the proportion of those who are either enrolled in college courses or have completed their degree rose from 48.7 to 59 percent.¹⁰

Important differences exist between the educational attainment of members of various ethno-racial groups. On average, Whites and Asians have higher levels of education than African Americans and Latinos, but it is not immediately evident from the data. For

Figure 4.9: Educational Attainment, persons aged 18-64, San Diego County, 1980-1997



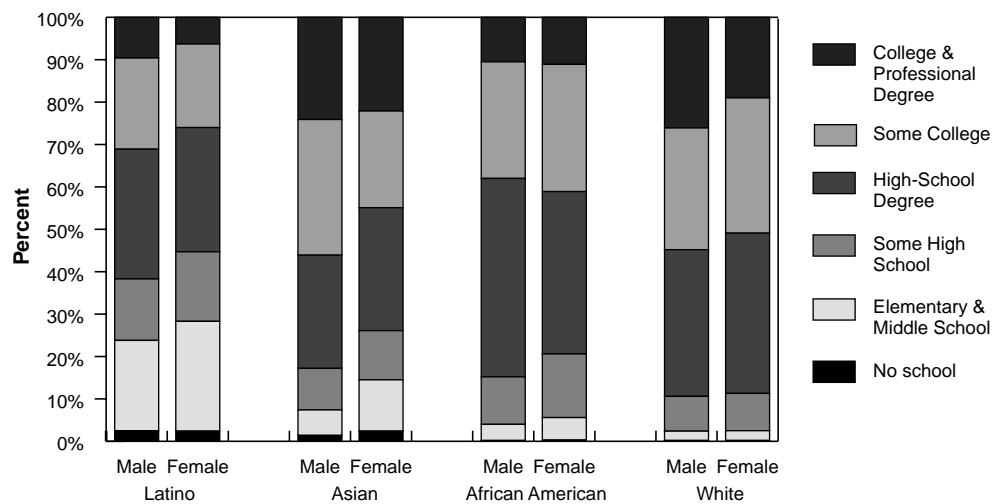
Source: 1980 and 1990 PUMS; 1997 CPS ORG

¹⁰ The *proportional* increase in the College and Professional Degree category does not imply there are fewer *number* of adults who have earned at least a college degree

example, if we were to look at the proportions of White and African American working-age adults who did not progress beyond an elementary or middle-school level of education we would see that they were similar in 1990 (Figure 4.11). However, if we look at those who completed college, we see that while 36 percent of White adults earned their college degree, only 9 percent of African American adults did. Thus, it is important to observe all levels of education if we are to acquire a complete picture of each group's educational attainment. As can be seen in Figure 4.10, 19 percent of working-age adult Latinos and 5.8 percent of working-age adult Asians had received only an elementary or middle-school education in 1980. To complete the ethno-racial picture, 13 percent of working-age Latinos had completed college, compared to 34 percent of Asians. Overall, in the San Diego region, as in the rest of the country, ethno-racial minorities remain less well educated than Whites (as illustrated by Figures 4.10 through 4.12 for 1980, 1990 and 1997 respectively).

Figures 4.10 through 4.12 also reveal that women in San Diego tend to have only slightly lower levels of educational attainment than men, but that the gap has been closing. Compared to males in 1980, a higher proportion of all women within all ethno-racial

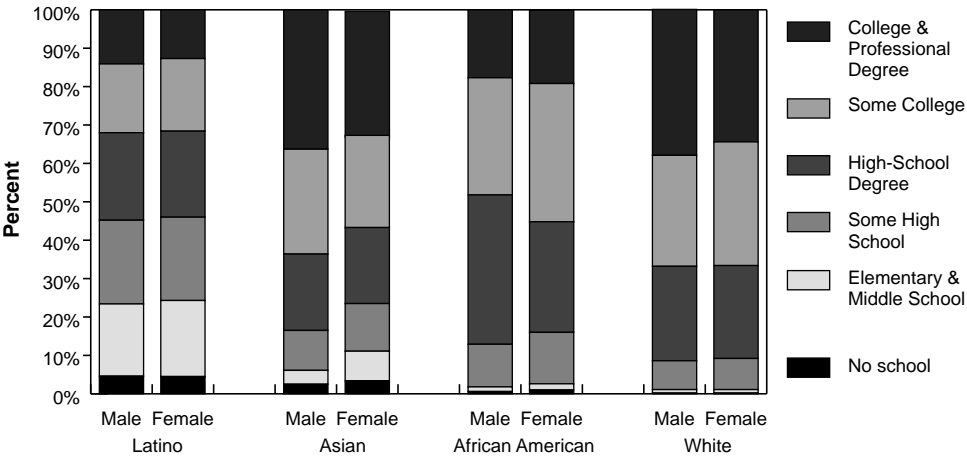
Figure 4.10: Educational Attainment by Ethno-Racial Group and Gender, Persons Aged 18-64, San Diego County, 1980



Source: 1980 PUMS

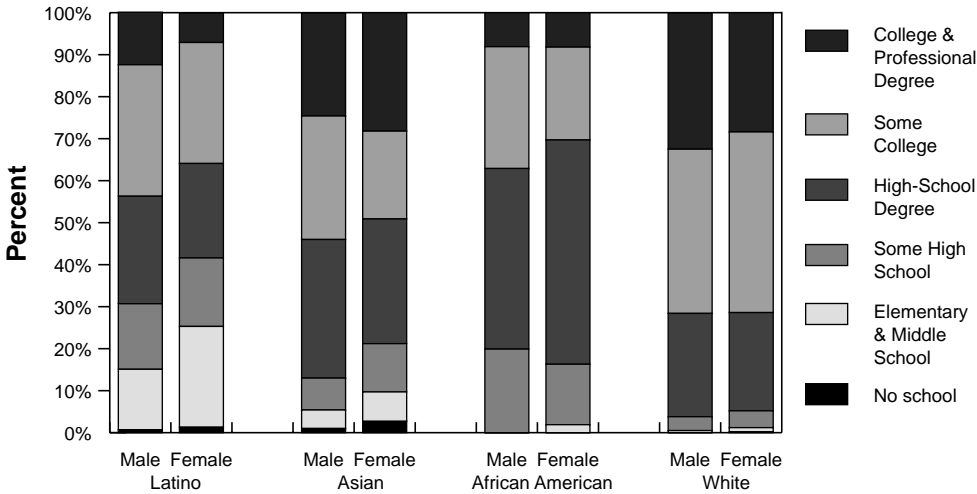
groups had less than a high school degree, while a smaller proportion had at least some college (Figure 4.10). Generally speaking, men have achieved somewhat higher levels of education than their female counterparts. However, while the gap between the share of Latino male and females who had some, or completed, college widened slightly from

Figure 4.11: Educational Attainment by Ethno-Racial Group and Gender, persons Aged 18-64, San Diego County, 1990



Source: 1990 PUMS

Figure 4.12: Educational Attainment by Ethno-Racial Group and Gender, Persons Aged 18-64, San Diego County, 1997



Source: 1997 CPS ORG

1980 to 1997, it shrunk between Asian males and females, became identical for White men and women, and was reversed for African Americans. In the latter case, more African-American women attained higher educational levels compared to African-American men.

Women in San Diego tend to have only slightly lower levels of educational attainment than men, but the gap has been closing.

In summary, population in San Diego County has grown considerably since 1980, but not as rapidly as economic growth (See Section III above). A large share of population growth has been due to international Latino and Asian migration. For the overall standard of living to improve, it is crucial for all working people, new (domestic and international) migrants and San Diego natives alike, to share in the benefits of economic growth. However, as this section has shown, a look at educational attainment suggests that both minorities and women remain less well prepared to participate in the economy and to compete for better-paying jobs. This is especially relevant to the extent that economic growth in the region is fueled by high-tech and bio-medical industries, which require a highly educated labor force. And the fact that Latinos, Asians and African Americans also represent an increasing share of the future labor force in San Diego County warrants greater public attention to their skills and socioeconomic status. The next section analyzes this issue in greater detail by considering the types of jobs held by San Diegans and the incomes they earn.

V Where We Work and How Much We Earn

Feminization of the Labor Market

The regional standard of living is directly affected by the way people participate in the local economy. Overall, participation in the labor force has increased by 4.9 percent between 1980 and 1997. This rise, however, has been primarily due to the sharp increase in the participation of women (by 11 percent). While 60.4 percent of women participated in the labor force in 1980, in 1997 over 71 percent did. On the other hand, male participation in the labor force remained constant at about 87 percent (Figure 5.1). This implies that more single women are working and more families have two income earners than during the 1980s.

Figure 5.1: Labor Force Participation Rate by Ethno-Racial Group and Gender, San Diego County, 1980-1997

	1980	1990	1997	Percent Change (1980-1997)
Male				
Latino	88.47%	87.96%	92.38%	3.91%
Asian	83.06%	84.62%	84.96%	1.89%
African American	85.63%	85.70%	68.91%	-16.71%
White	87.54%	89.18%	88.06%	0.53%
Female				
Latina	54.04%	60.51%	59.18%	5.14%
Asian	61.21%	68.04%	68.01%	6.80%
African American	67.62%	67.32%	73.42%	5.80%
White	60.97%	71.34%	76.58%	15.61%*
Total San Diego	74.48%	79.06%	79.35%	4.87%*
Males	87.34%	88.38%	87.47%	0.13%
Females	60.38%	68.80%	71.24%	10.86%*

Source: 1980 and 1990 PUMS; 1997 CPS ORG

Note: An * indicates changes that are statistically significant within a 95% confidence interval.

This increase in labor force participation is attributed mostly to White women (15.6%). It is also worth pointing out two striking features of our region's labor market(s). First, while Latino males have the highest labor force participation rate in the economy, Latinas have the lowest rate. Second, African American females have a higher participation rate than their male counterparts, whose rate actually declined from 1980 to 1997. As shown below, African American males in San Diego County suffer from high unemployment and very low earnings; thus it is not surprising that some become discouraged from par-

ticipating in the labor force. African American women, however, are often better educated than African American men and have access to better jobs.¹¹

Unemployment by Ethnicity and Race

Participation in the labor force does not guarantee employment. To the contrary, many potential employees are unable to find and obtain work and thus remain underemployed or unemployed for various amounts of time.

In San Diego, the unemployment rate from 1980 to 1997 remained below that of California and the nation (Figure 5.2). For example, in 1990, the rate of unemployment in San Diego was 5.4 percent compared to 5.8 percent in California, and 5.5 percent in the United States. This indicates that in general a higher proportion of San Diegans worked more compared to the rest of the country in 1990, but not necessarily that they enjoyed a higher standard of living. Furthermore, this remains true today. In 1997, the unemployment rate was almost 6.0 percent in California, 4.8 throughout the United States, and 4.7 in San Diego County.¹²

Figure 5.2: Unemployment Rate by Ethno-Racial Group and Gender, San Diego County, 1980-1997

	1980	1990	1997
Male			
Latino	7.98%	8.41%	3.53%
Asian	5.17%	5.81%	4.51%
African American	6.60%	7.14%	11.28%
White	4.77%	4.19%	4.37%
Female			
Latina	8.26%	9.47%	4.24%
Asian	6.87%	6.28%	6.24%
African American	9.85%	10.26%	21.58%
White	5.38%	4.19%	2.88%
Total San Diego	5.65%	5.39%	4.70%
Males	5.38%	5.27%	4.61%
Females	6.08%	5.57%	4.82%
Total California	5.76%	5.78%	5.98%
Male	5.92%	5.43%	5.84%
Female	5.56%	5.63%	6.15%

Source: 1980 and 1990 PUMS; 1997 CPS ORG

Note: The only statistically significant change from 1980 to 1997 was for White Females (-2.51%).

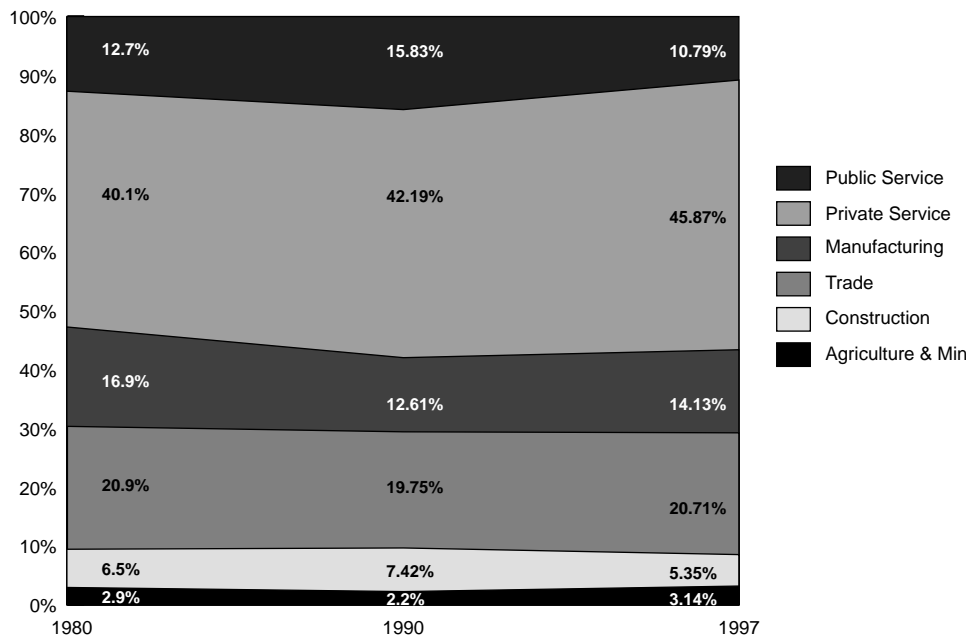
¹¹ While mainstream economic thought stresses the role of human capital (e.g., education and experience) in determining labor market outcomes (e.g., employment and earnings), heterodox and sociological perspectives highlight the role of social capital (e.g., familial and friendship networks) and spatial factors (e.g., transportation costs, distance between place of residence and of work). See Pastor and Marcelli (1998) for an example of a study which estimates the relative importance of each of these factors. In the current study we do not attempt such an estimation, however.

Unsurprisingly, not everyone has experienced unemployment similarly. While White males and females benefited from very low unemployment rates, other groups faced higher unemployment. This has been especially true for African Americans and Latinos during the 1980s.

Increasing Service Sector Employment

Although simply having a job is a key determinant of quality of life for most people, the industry in which one works and the type of job one has is an equally important factor. This fact is often suppressed by the disproportionate political and media attention simply given to the number of jobs created. Rarely discussed is whether new jobs are well paying and long-term. More, so it is said or believed, must be better. This lack of concern for the character and conditions of work is evident in the new welfare legislation, which has limited requirements regarding the pay and duration of work for

Figure 5.3: Employment by Major Industrial Sector, Percent, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

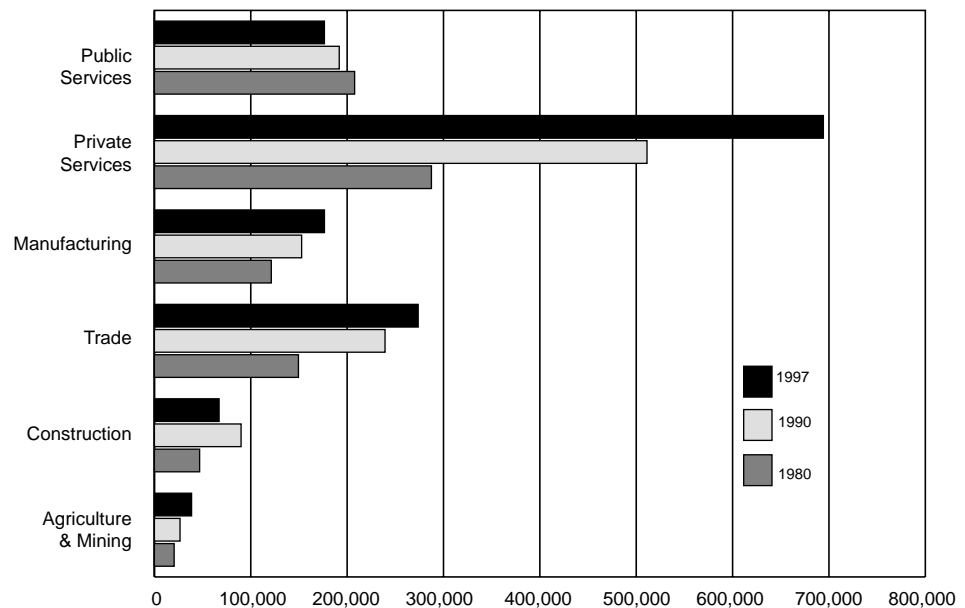
¹² As of September 1998 the national rate of unemployment was 4.6 percent.

previous welfare recipients who may or may not find a job.

In San Diego County, the Private Service sector employs the largest number of workers, representing nearly 50 percent of all jobs in 1997 (Figure 5.3.) Included in this broad category are business and report services such as advertising, computer and data processing services and protection services; personal services such as those provided in private households, hotels and by beauty shops, funeral parlors or shoe repair shops; entertainment and recreational services such as video tape rentals and bowling centers; and professional services such as hospital, legal services, schools and colleges, social services and religious organizations.

The share of employment in the Private Service sector, moreover, has increased since 1980 by 5.8 percent. The only other significant change in the industrial composition of employment has been in manufacturing, which occurred mostly during the 1980s. From 1980 to 1990 there was a decline in manufacturing employment from 16.9 to 12.6 per-

Figure 5.4: Employment by Major Industrial Sector, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

cent. And although it appears from figures 5.3 and 5.4 that this trend was reversed between 1990 and 1997 the data do not permit us to conclude this with confidence. Likewise, while it appears that employment has declined in the Public Service sector since 1990, we cannot be certain of this change given the number of available observations. However, as will be seen in figure 5.13, evidence does exist to suggest there has been a decline in government employment in San Diego County.

Although a majority of persons from each ethno-racial group works in the Private Services or Trade sector, there are a few differences in the industry distribution of employment by ethno-racial group (Figure 5.5). Of course, differences may be hidden by the fact that the industry categories used here are very broad and include a wide range of occupations. Nonetheless, several noticeable differences are (1) a larger share of Latinos in Agriculture and Construction and (2) a larger share of African Americans in Public and Private Services.

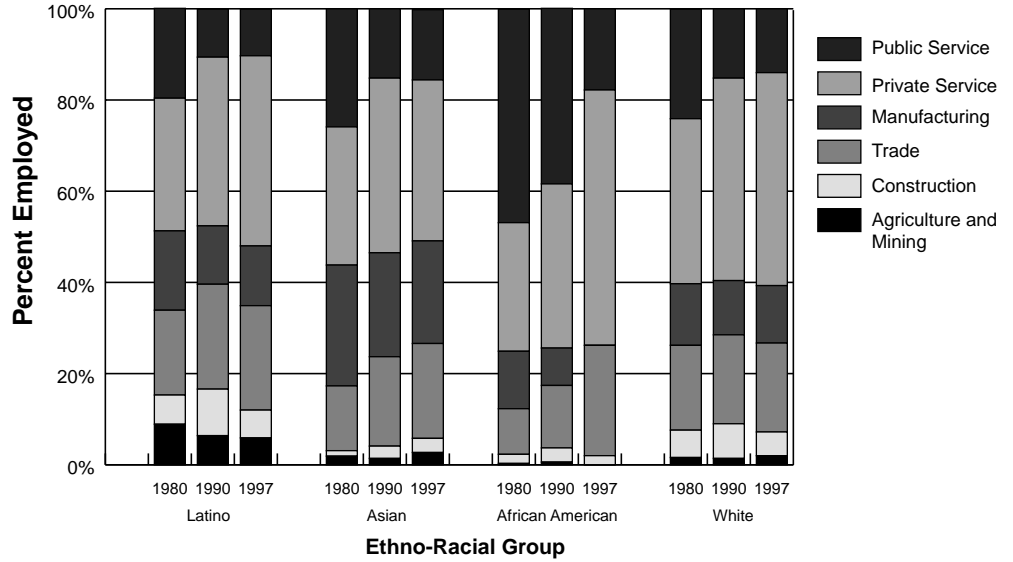
More obvious differences exist between males and females. Women are over-represented in both Private Services and Trade throughout the 1980-1997 period. Similarly, they have been underrepresented in Agriculture and Mining, Construction and Manufacturing (Figure 5.6).

As noted above, the Private Service industry is a very broad category including businesses as diverse as hotels, barber shops, hospitals, social and education services, accounting firms, and banking institutions. While some of the jobs in these industries require highly-skilled employees and often offer high incomes, a large share requires only a limited skill set. Some of these more detailed industry classifications, for example, are known for low levels of compensation, high reliance on temporary and part-time labor, and low rates of unionization. Certain segments of the Trade sector, such as fast food restaurants, also display similar characteristics. Thus, although the total number of persons employed has grown significantly in San Diego County – from 833,480 in 1980 to 1,322,426 in 1997 – the quality of many of these jobs has declined.

Figure 5.7 shows that both Private Services and Trade hire greater proportions of part-time (or what are sometimes referred to as "contingent") workers than other industrial

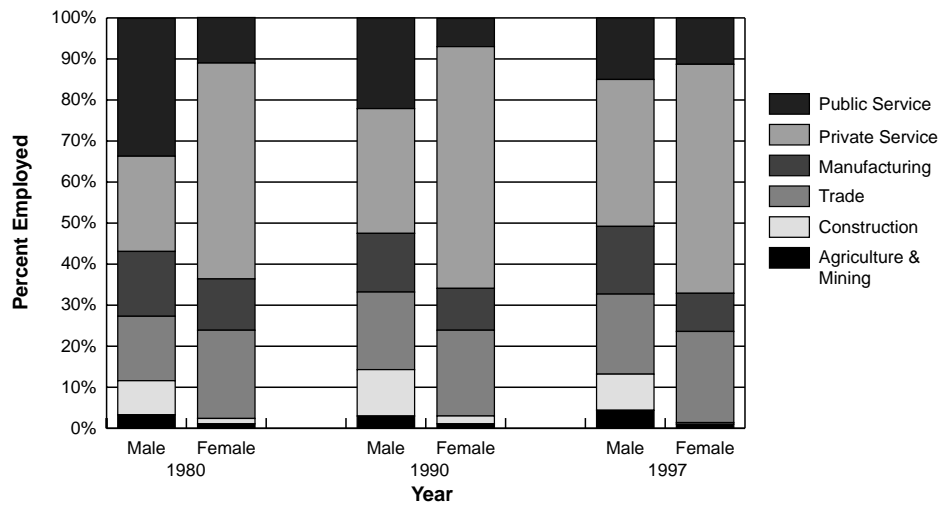
Private Services and Trade hire greater proportions of part-time workers than other industrial sectors.

Figure 5.5: Major Industrial Sector Employment by Ethno-Racial Group, San Diego County, 1980-1997



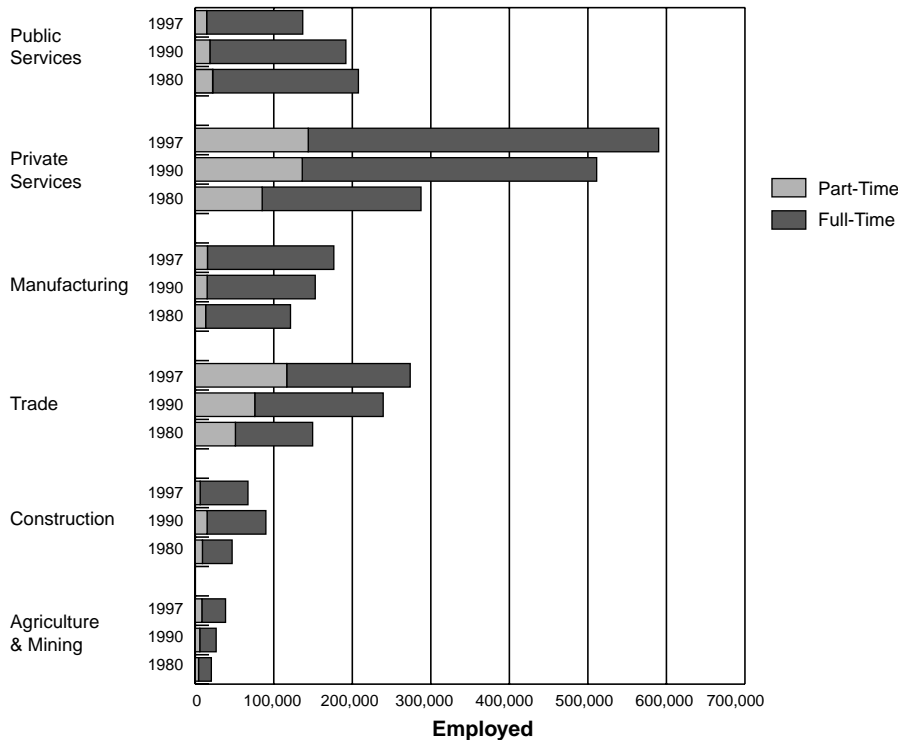
Source: 1980 and 1990 PUMS; 1997 CPS ORG

Figure 5.6: Major Industrial Sector Employment by Gender, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

Figure 5.7: Major Industrial Sector by Part-Time and Full-Time Employment, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

sectors. For example, in 1997, 42.6 percent of Trade workers and 24.4 percent of Private Service workers were hired on a part-time basis, compared to 8.8 and 10.6 percent in Manufacturing and Public Services respectively, 9.3 percent in Construction, and 21.9 percent in Agriculture and Mining. Although sometimes providing desired supplemental income, part-time jobs are less desirable as the primary source of economic security because they often offer inadequate incomes and often fail to provide important benefits such as retirement plans and healthcare to workers and their families.

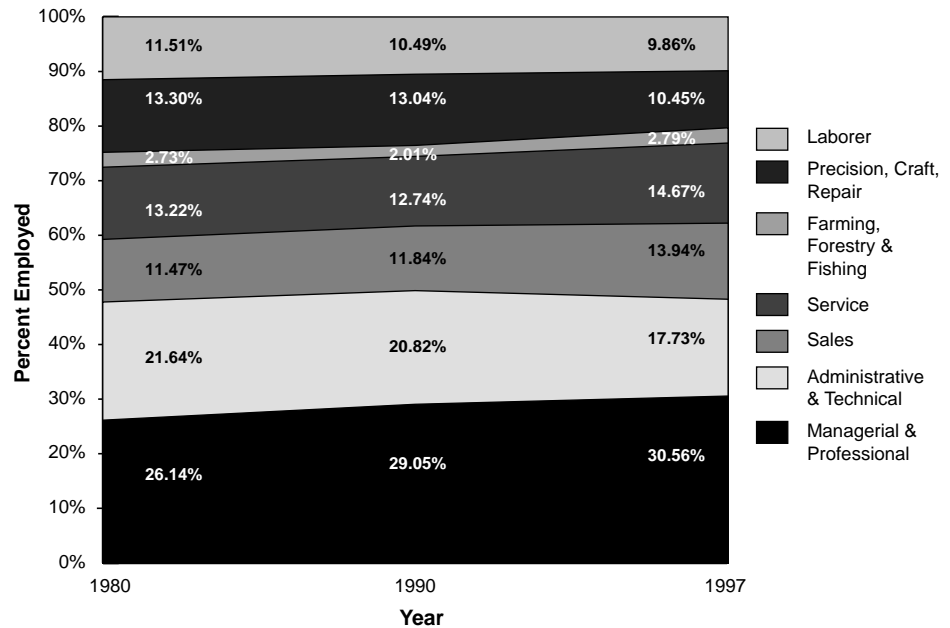
Occupational Segregation by Ethno-racial Group and Gender

Occupational categories are somewhat better indicators of job quality than industry categories because they allow one to distinguish between higher- and lower-skilled, and thus higher- and lower-income, jobs across industries. For example, being a security

guard may be less desirable than being a teacher, secretary, or technician given that the former does not require many skills, typically offers lower wages, and demands a more flexible work schedule. However, many industries require both kinds of workers. Hence, analyses of occupational rather than industry categories are more useful when trying to understand job quality.

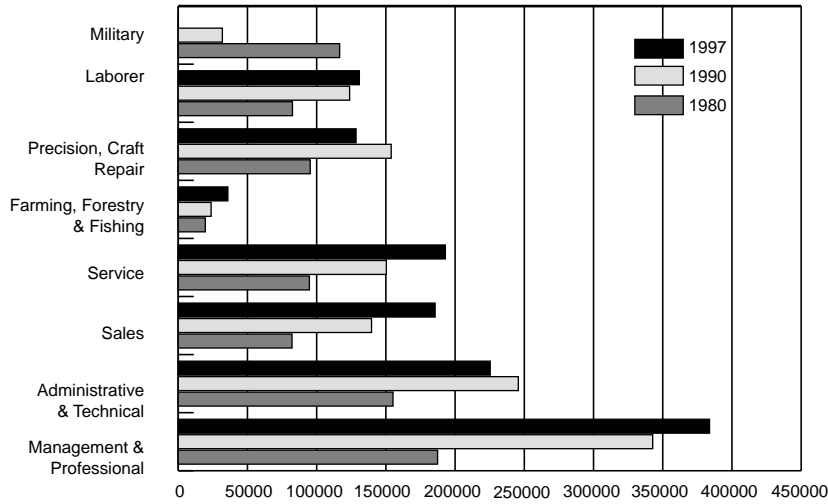
The largest occupational category in San Diego County remains Managers and Professionals (Figure 5.8). This category had the second fastest rate of growth (105 percent) during the 1980-1997 period, with over twice as many jobs in 1997 than in 1980 (Figure 5.9). The number of jobs in Sales and Service occupations has increased rapidly as well (126 and 124 percent respectively). But many jobs are also found in Administrative and Technical Support occupations, despite a small decline between 1990 and 1997. Again, it is important to point out that each major occupational category for which we have data from 1980 to 1997 experienced employment increases. The exception are military occupations, at least during the 1980s.

Figure 5.8: Employment, by Major Occupational Category, Percent, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

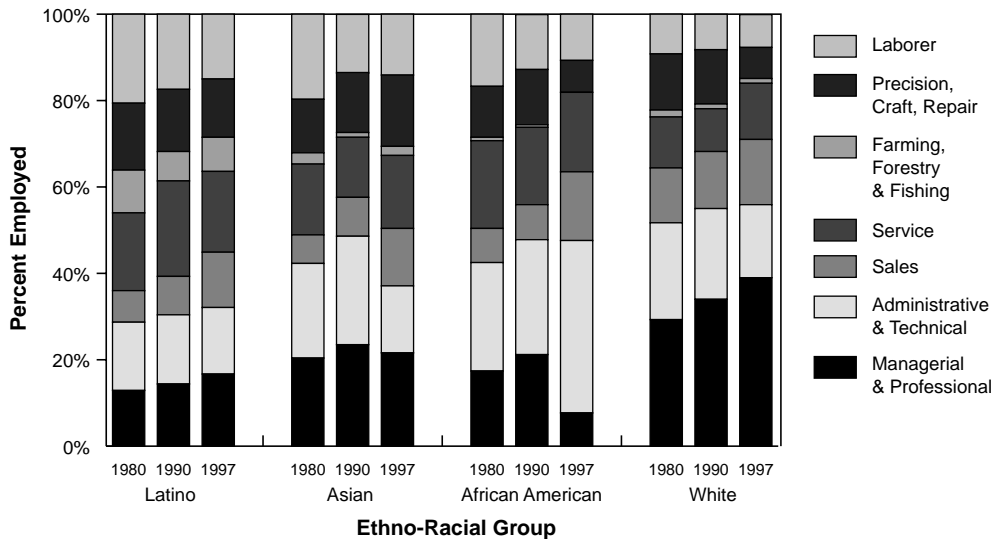
Figure 5.9: Employment by Major Occupational Category, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

Note: Not enough observations exist to report statistically significant results for Military in 1997

Figure 5.10: Major Occupational Category Employment by Ethno-Racial Group, San Diego County, 1980-1997

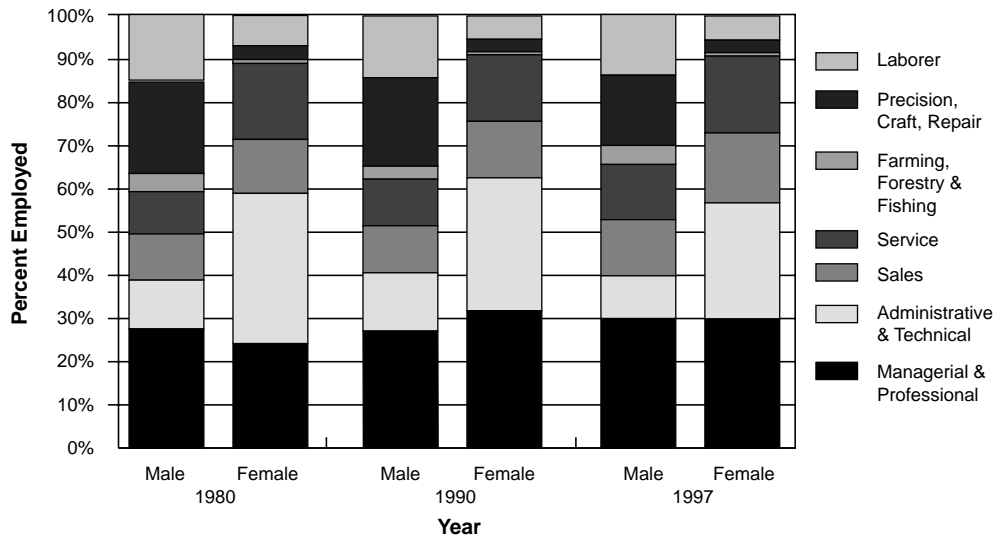


Source: 1980 and 1990 PUMS; 1997 CPS ORG

From the ethno-racially uneven distribution of educational attainment presented in Section IV, one may reasonably suspect that employment by occupational category has not been distributed uniformly among the region's population (Figure 5.10). A large and increasing share of White persons fill more desirable jobs, such as Managerial and Professional occupations. Although there was a small rise in the proportion of workers from other ethno-racial groups in these occupations between 1980 and 1990, we are unable to report statistically significant changes after 1990. Still, minority representation in Management and Professional occupations remains well below that of Whites in the aggregate. By contrast, a larger share of Asians and Latinos fill Laborer, Precision, and Repair occupations compared to Whites or African Americans. Overall, minorities are over-represented in Service occupations.

As was the case when examining industry sectors, the occupational differences between males and females is also striking (Figure 5.11). Perhaps surprisingly, similar proportions of men and women are found in Managerial and Professional jobs. The important difference between male and female occupational segregation is between Laborer; Precision, Craft and Repair; and Farming, Forestry and Fishing on the one hand (male

Figure 5.11: Major Occupational Category Employment by Gender, San Diego County, 1980-1997

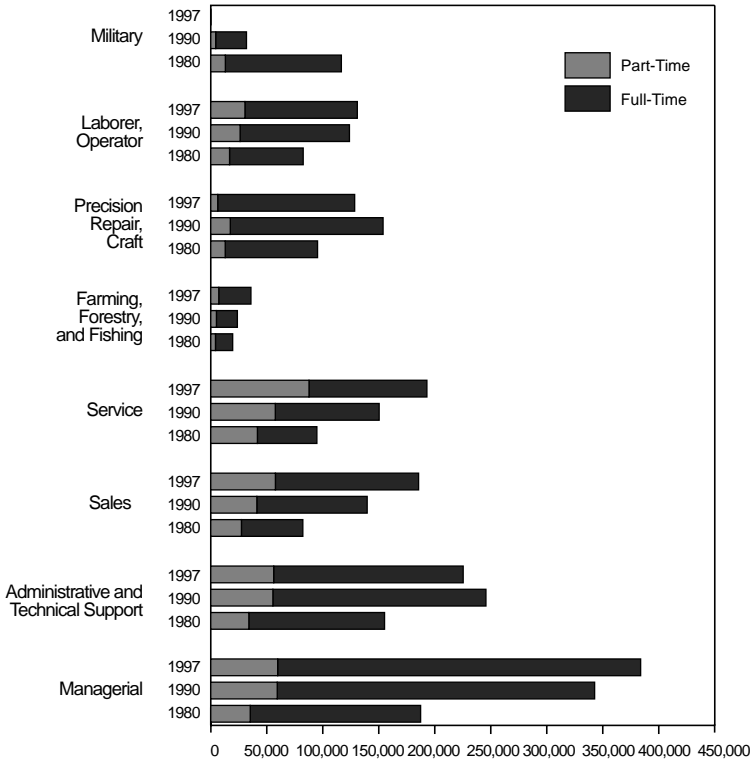


Source: 1980 and 1990 PUMS; 1997 CPS ORG

dominated) and Administrative and Technical Support, Service and Sales on the other (female dominated).

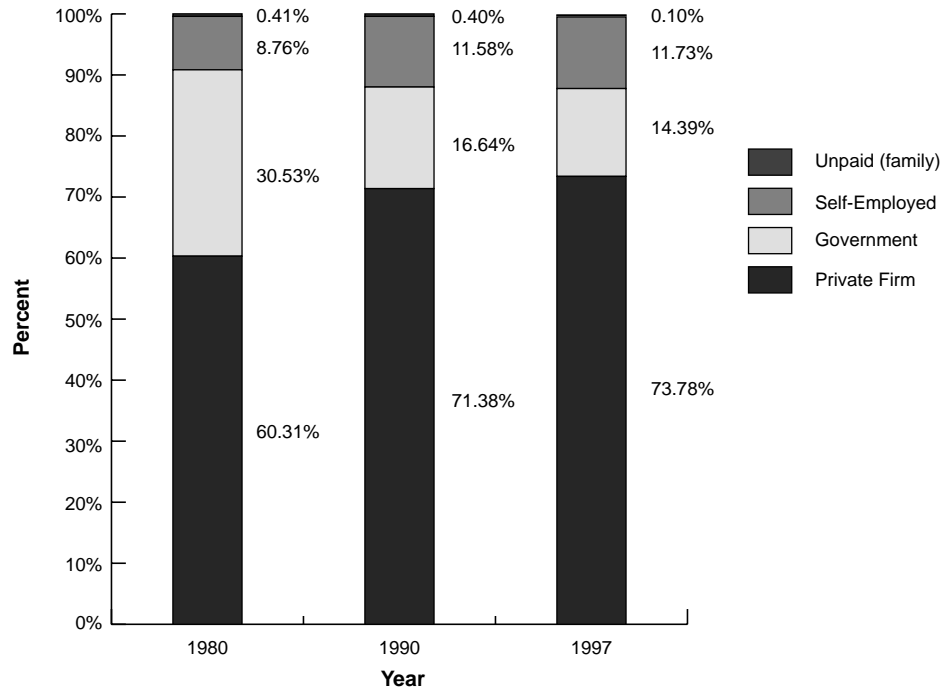
When we consider the level of part-time employment by occupation, we see that although there was an increase in the absolute number of part-time workers in each major occupational category, the proportion of part-time workers remained fairly constant. Interestingly, Administrative and Technical Support, Sales and Service have higher shares of part-time workers (Figure 5.12) and are more likely to be filled by women and workers who belong to non-White ethno-racial groups (Figures 5.10 and 5.11).

Figure 5.12: Major Occupational Category by Part-Time and Full-Time Employment, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG
 Note: Not enough observations exist to report statistically significant results for Military in 1997

Figure 5.13: Employment by Class of Worker, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

While fully 31 percent of all employed persons in 1980 worked for Federal, State or Local government, by 1997 this figure dropped by more than half to 14.4 percent.

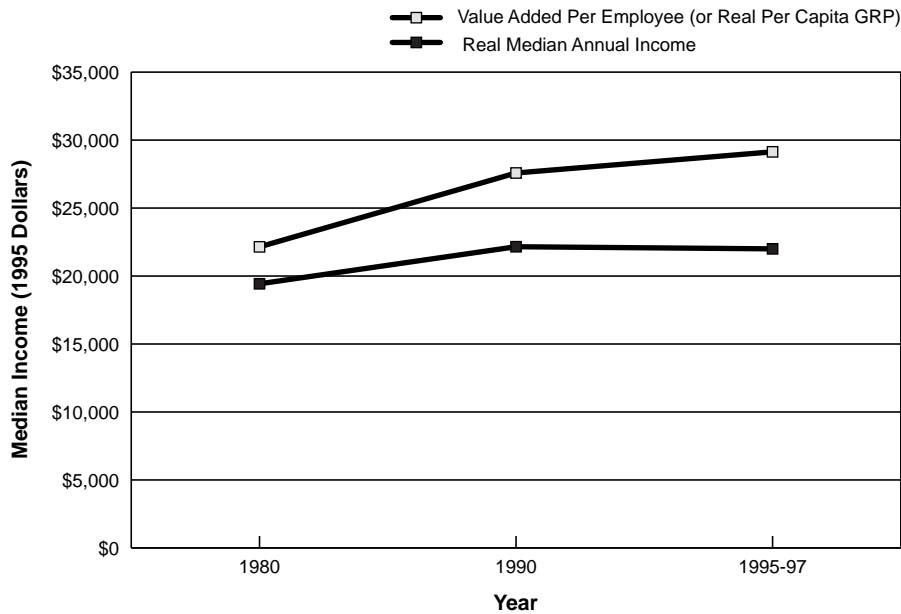
Government Downsizing and Privatization

One thing that industry and occupational analyses do not tell us, however, is the proportion of workers who are unpaid relatives, are self-employed, work for private businesses, or work for the Government. An analysis by Class of Worker (Figure 5.13) reveals that the majority of workers are employed by private firms, and that this proportion has been rising. Similarly, the percentage of all workers who are self-employed has risen since 1980. Conversely there has been a substantial decline in the proportion found in government jobs. While fully 31 percent of all employed persons in 1980 worked for Federal, State or Local government, by 1997 this figure dropped by more than half to 14.4 percent.

In summary, the above analyses show that San Diego's workers are employed in a wide range of occupations and industries – reflecting great diversity in the quality of employment – and that the privatization of production has been substantial over the past two

decades. Most new jobs are being created in the Service and Trade sectors, and in Managerial and Professional, Service and Sales occupations. Interestingly, the top three occupational categories filled by women in 1997 (Administrative and Technical Support, Sales and Service) also happened to be those that had the highest percentages of part-time workers (24.9, 31.1, and 45.5 percent respectively). Similarly, occupations filled by ethno-racial minorities were also more likely to have higher proportions of temporary workers. Furthermore, despite rhetoric to the contrary, there is still a strong demand for the positions that Latinos, Asians, and African Americans typically fill. Approximately 40 percent of all persons were employed in Laborer, Precision, Craft and Repair, and Farming, Forestry and Fishing occupations in 1997 – for example – positions more likely to be filled by ethno-racial minorities. In order to evaluate the quality of jobs more fully one must look beyond the crude criterion of the proportion of part-time work by occupation, however, and consider the distribution of compensation (wage and salary as well as benefits income). The fact may be that people choose to work a second job

Figure 5.14: Economic Growth and Median Income, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1995 and 1997 March CPS ORG; United Way (1998; 1996)

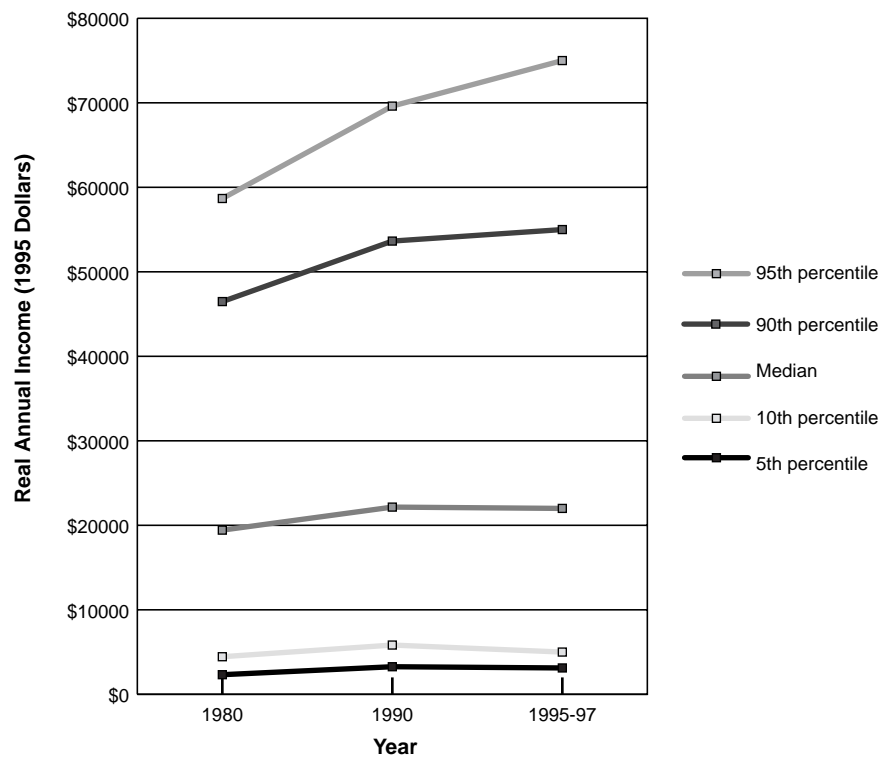
to supplement their primary incomes.

The Growth-Income Gap and Income Inequality

Accompanying rising per capita Gross Regional Product (or the dollar value of production added per person in the San Diego regional economy each year) has been a relatively flat annual median income (Figure 5.14). As we saw in Section III, aggregate GRP and per capita GRP rose triumphantly in the region since 1980.¹³ In San Diego County, the average annual growth rate in the value of economic output per head was a spectacular 1.9 percent.¹⁴ While median real income was \$19,429 in 1980, it increased to only \$22,000, or by \$2,571 on average, by 1995-97. As can be seen in Figure 5.14, the gap

Although real per capita median income has risen somewhat, the distribution of income has been uneven across the working population

Figure 5.15: Income Disparity, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1995 and 1997 March CPS

¹³ Easterlin (1996:31), for instance, reports that the average annual per capita growth rates of a group of fifteen nations that were world economic leaders was approximately 1.5 percent for at least a half century before World War I, and terms this "a rapid and sustained rise in real output per head."

¹⁴ This is computed by dividing the 32 percent rise in pre capita GRP from 1980 to 1997 by 17.

between economic growth and income per worker has more than doubled. In 1980 it was \$2,718, in 1990 it grew to \$5,425, and in 1995-97 the gap was \$7,136.

Although real per capita median income has risen somewhat, the distribution of income has been uneven across the working population (Figure 5.15).¹⁵ While in 1980 the top 5th percentile earned \$58,676 per annum, the lowest 5th earned only \$2,321 (a ratio of 25 to 1). Comparatively, in 1995-97 the former earned \$75,000 and the latter earned \$3,120 (a ratio of 24 to 1). Despite a percentage increase of 34% in the annual incomes of the poorest paid San Diegans, the income gap actually has risen by 28 percent since 1980. It is also interesting to note that the sharpest rise in inequality occurred not between the "rich" and the "poor," but between the "rich" (the top 10th percentile) and the "very rich" (the top 5th percentile), where the gap widened by 64 percent.

Income disparity has also been associated with ethno-racial group and gender characteristics. Women from all ethno-racial groups except Latinas saw their incomes rise between 1980 and 1997 (Figure 5.16). Latina incomes rose in the 1980s, but have experienced significant losses during the 1990s. While White and Latino males earned more in 1997 than in 1980, African American and Asian males earned less. In sum, 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 find-

Figure 5.16: Median Real Annual Wage and Salary Income (in 1995 Dollars), by Ethno-Racial Group and Gender, San Diego County, 1980-1997

	1980		1990		1995-97	
	Male	Female	Male	Female	Male	Female
Latinos	18,482	11,143	17,491	13,410	21,000	11,000
Asian	22,205	12,956	22,154	16,791	19,000	19,600
African American	22,205	14,435	18,657	17,491	22,000	22,000
White	29,602	14,806	29,151	20,405	31,300	20,000

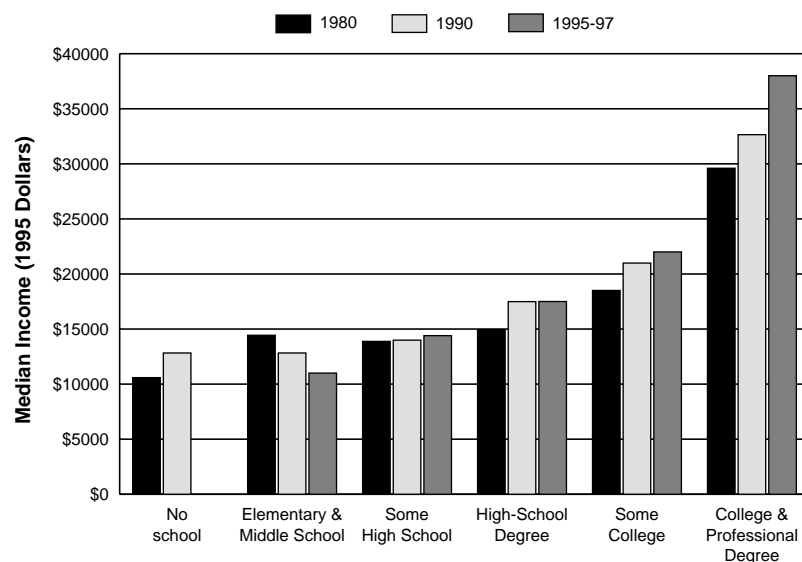
Source: 1980 and 1990 PUMS; 1995 and 1997 March CPS

¹⁵ An important thing to keep in mind when analyzing the distribution of income is that from one time period (e.g., 1980) to the next (e.g., 1990 or 1997) some people have moved to a higher or to a lower income percentile (SANDAG 1998: 58-61; SANDAG 1992: 29-30). Thus, while the distribution of income may have become more disparate from one point in time to the next, this does not necessarily imply that those at the bottom have become worse off and those at the top have become better off over time. However, even if two-thirds of those at the bottom move to higher income percentiles over time the problem of income disparity has worsened. We would like to thank Marney Cox for raising this issue.

ings 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 5.11).

We can also see from the above figure that members of non-White ethno-racial groups, except for African-American women, receive what economists sometimes call a “wage penalty” – that is for not being White. This is especially true for working men. For example, White males have enjoyed a 31 to 60 percent income advantage over those of other ethno-racial groups. As elsewhere in the nation, being White and being male is a significant advantage in the labor market. While the ethno-racial and gender earnings differentials appear to reflect the occupational and industrial bifurcation shown above, it is evident that the entire gender income gap cannot be explained by differences in educational attainment. Something more seems to be influencing income outcomes.

Figure 5.17: Median Real Wage and Salary Income by Educational Attainment, San Diego County, 1980-1997

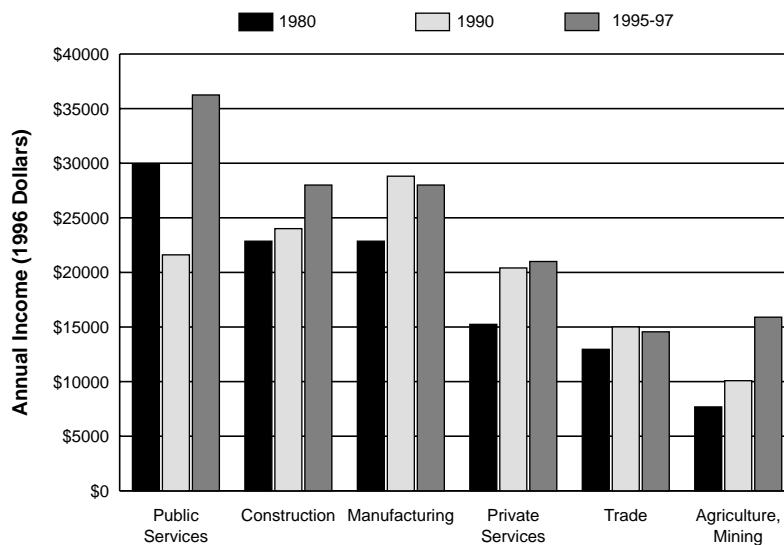


Source: 1980 and 1990 PUMS; 1995 and 1997 March CPS
 Note: Results may not be statistically significant for "No School" in 1997 due to an insufficient number of observations.

That said, education still is closely associated with income (Figure 5.17). Throughout the region, workers with a college or professional degree are the only workers who have experienced notable increases in real income. For example, those who never went to high school saw their earnings drop by 24 percent, and those who did go to high school but did not receive their diplomas earned a mere four percent more in 1998 than 1980. Meanwhile those who have at least a college degree experienced a rise of 29 percent. Clearly, people with more education earn higher incomes even if other factors influence employment and earnings outcomes. In 1997, for instance, an individual with a college degree earned four times as much as someone who never attended high school.

Income disparity is also illustrated by examining major industry and occupational categories. For instance, the real annual incomes of those working in all industries rose slightly on average, but in the Agriculture and Mining (107 percent), and the Private Services (38 percent) sector they increased more rapidly. To put these changes in perspective, however, it is useful to note that those employed in Public Service, Construction, and Manufacturing sectors earned the highest average incomes in 1997 – and those in Private Service, Trade and Agriculture and Mining earned the lowest. While not reported

Figure 5.18: Median Real Annual Income by Major Industry Category, San Diego County, 1980-1997



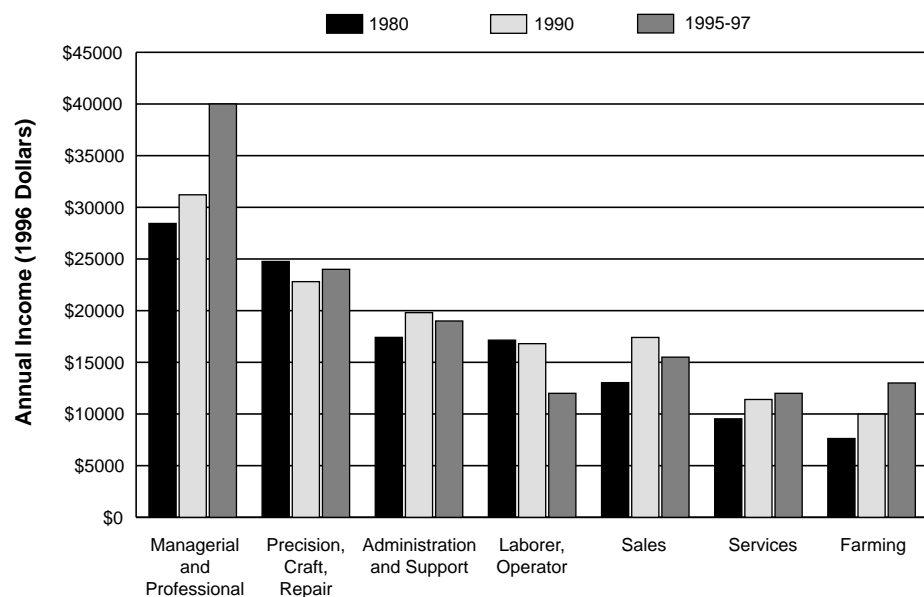
Source: 1980 and 1990 PUMS; 1995 and 1997 March CPS

in any of the figures, non-White representation in the top three income sectors averaged 40 percent (38.1, 38.9 and 44.2 percent respectively), and 47 percent (38.2, 44.3, 58.7 respectively) in the bottom three. Female representation in the top three income industries totaled 23.8 (37.3, 3.3 and 30.8 percent respectively) and 39.4 percent (55.3, 47.4 and 15.5 percent respectively) in the bottom three.

Figure 5.19 shows median annual income by major occupation. For reasons mentioned earlier, occupationally the ethno-racial and gender differences are more extreme. Again, although not shown graphically, only 28.9 percent of the jobs in the top income occupational category (Managerial and Professional) were filled by females and only 38.7 percent were by non-White workers. Conversely, fully 52.5 percent of the least well paying occupations were filled woman and 52.8 percent were by non-White workers.

Consequently, San Diego County's economic prosperity has not resulted in increased earnings for all, or even a majority of, workers. Generally, many women and minorities have been left behind, despite the progress they achieved during the 1980s. Only

Figure 5.19: Median Real Annual Income by Major Occupational Category, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1995 and 1997 March CPS

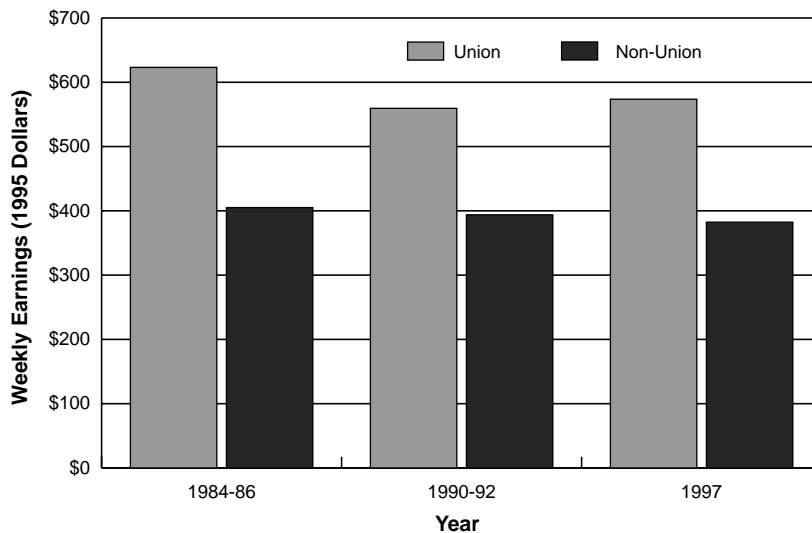
some of the income inequality is explained by differences in levels of educational achievement. Overall, income inequality has increased dramatically. Before turning to broader socioeconomic issues related to this trend, we first consider the role of unions.

Declining Unionization

One potential explanation for rising income inequality is the decline of unionization rates. Changes in the ability of unions to organize workers have resulted in important fluctuations in both wages and working conditions. For example, in the San Diego region, union members enjoy higher earnings than non-union members, even after adjusting for inflation (Figure 5.20). While all Private and Public sector employees combined earned less in 1997 than in 1980, those who were unionized earned from 42 to 54 percent more than non-union members throughout the thirteen-year period.¹⁶ For instance, in 1997 unionized employees earned a median weekly income of \$574 and non-unionized workers earned \$382. A slightly larger income gap existed in 1984-86 than in 1990-92.

In the San Diego region, union members enjoy higher earnings than non-union members, even after adjusting for inflation

Figure 5.20: Real Weekly Earnings for Private and Public Sector Employees, by Union Status, San Diego County, 1984-1997



Source: 1984, 1986, 1990, 1992, 1997 CPS ORG

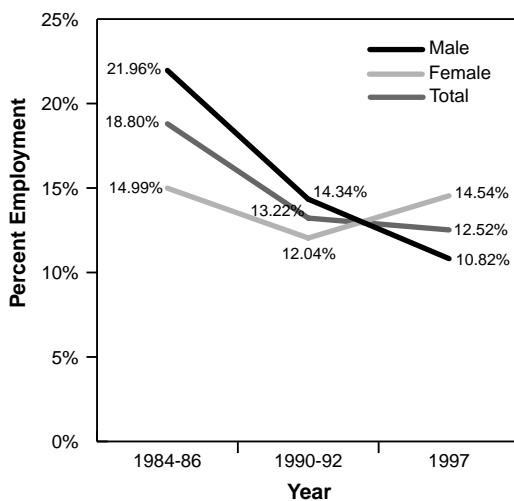
¹⁶ Excluded from this analysis are self-employed and unpaid workers

Despite the benefits unions have achieved for their members, unionization rates throughout the nation have fallen in the recent decades. San Diego County does not deviate from this national trend. Between 1984 and 1997, unionization rates dropped from 19 to 13 percent of the workforce (Figure 5.21). The decline has been less rapid between 1990 and 1997, however, than between 1984 and 1990. Furthermore, while unionization rates have decreased among male workers, they have increased among female workers.

While unionization rates have fallen for Private sector employees, according to available data they appear to have risen dramatically among Public sector employees (Figure 5.22). By 1997, although only six percent of all Private sector employees were union members, fully 49 percent of all Public sector employees were. One explanation of this may be that the overall number of Public Sector employees has declined and non-unionized workers were disproportionately represented among those who have been laid off.

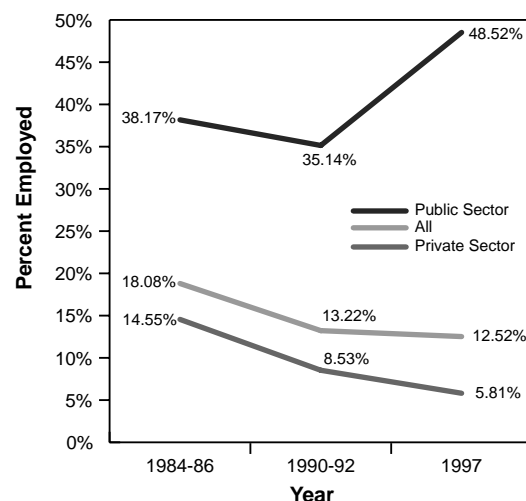
Several other important changes in unionization have taken place. For example, although Manufacturing has often been perceived as a heavily unionized industry, rates of unionization have fallen below 5 percent (Figure 5.23). On the other hand, rates of unionization have increased in Construction and Private Service sectors.

Figure 5.21: Union Membership Rate by Gender, San Diego County, 1984-1997



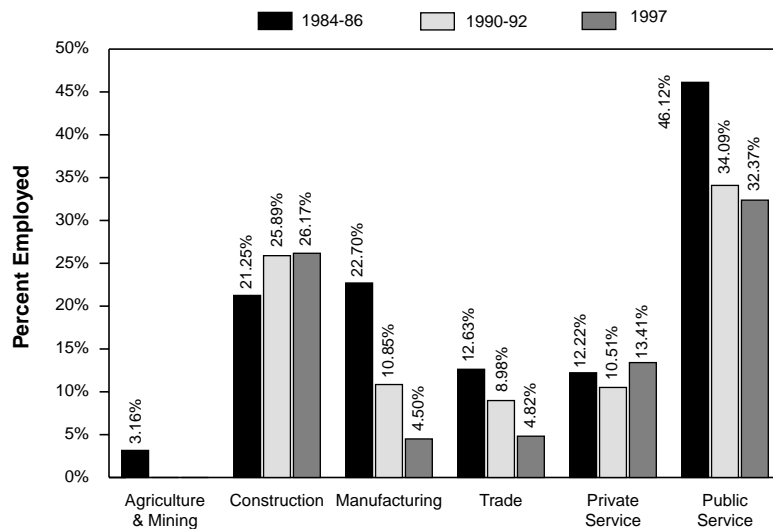
Source: 1984, 1986, 1990, 1992, 1997 CPS ORG

Figure 5.22: Unionization Rate by Class of Worker, San Diego County, 1984-1997



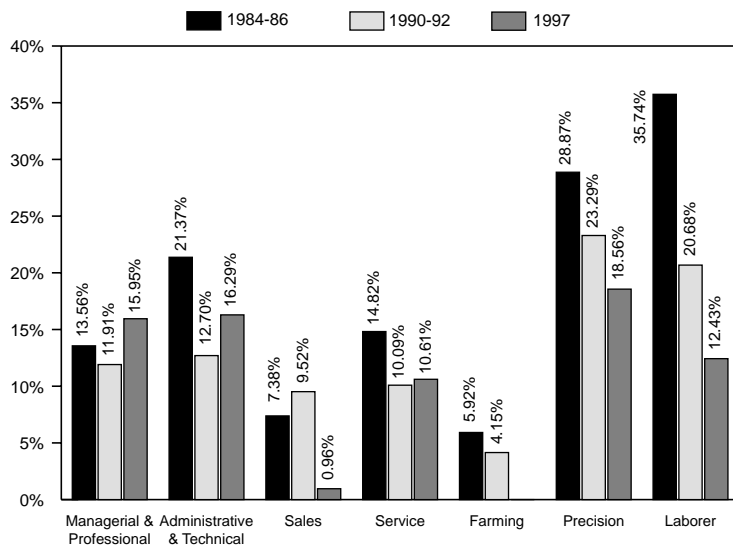
Source: 1984, 1986, 1990, 1992, 1997 CPS ORG

Figure 5.23: Unionization by Major Industrial Sector, San Diego County, 1984-1997



Source: 1984, 1986, 1990, 1992, 1997 CPS ORG
 Note: Education and Social Service Employees are included in the Private, not Public, Service Sector.

Figure 5.24: Unionization by Major Occupation San Diego County, 1984-1997



Source: 1984, 1986, 1990, 1992, 1997 CPS ORG

Rates of unionization have fallen, often substantially, in every occupational category except Management and Professional (Figure 5.24).

Like education, clearly unions have had, and can have, a positive effect on individuals' incomes. Despite the disincentives for greater unionization provided by a robust economy and ideological disrepute, hundreds of thousands of lower-skilled workers have seen their paychecks shrink as a result of fewer jobs being covered by union contracts. As we have seen, however, not only lower-skilled employees are keen to the value of being in a union. From 1984 to 1997, more women, public sector employees, and those in Managerial and Professional as well as those in Administrative and Technical Support appear to find it valuable to be a member of a union.

An analysis of economic growth and demographic change in San Diego County since the early 1980s, as well as how the distribution of income has widened, is a good first step toward understanding the overall well-being of the region. But more is needed. We next examine whether the types of jobs people have and how much they earn enables them to cover housing, health care, transportation, childcare, and other costs of living. In short, have the changes outlined above resulted in improvements in the quality of life for most San Diegans, and consequently, set the stage for future economic growth? The reader will recall from Section II that recent research has found that reductions in inequality and poverty increase the likelihood of a region's future economic growth.

VI Socioeconomic Well-being

Economic inequality itself does not directly imply that there are people who cannot afford a decent standard of living. If lower-income families earn enough to support themselves given prices in general, then despite the presence of income inequality all members of the region may enjoy an economically viable existence. Alternatively, if the lower wage and salary incomes of some families were offset by wealth-generated income, such as real estate investments or financial asset ownership, then the negative effects of income inequality may be countered. Thus, we must consider what it costs to live and work in San Diego County as well as how wealth is distributed to estimate more precisely the extent to which poverty accompanies economic inequality.

Working but Poor and the Inadequacy of the Minimum Wage

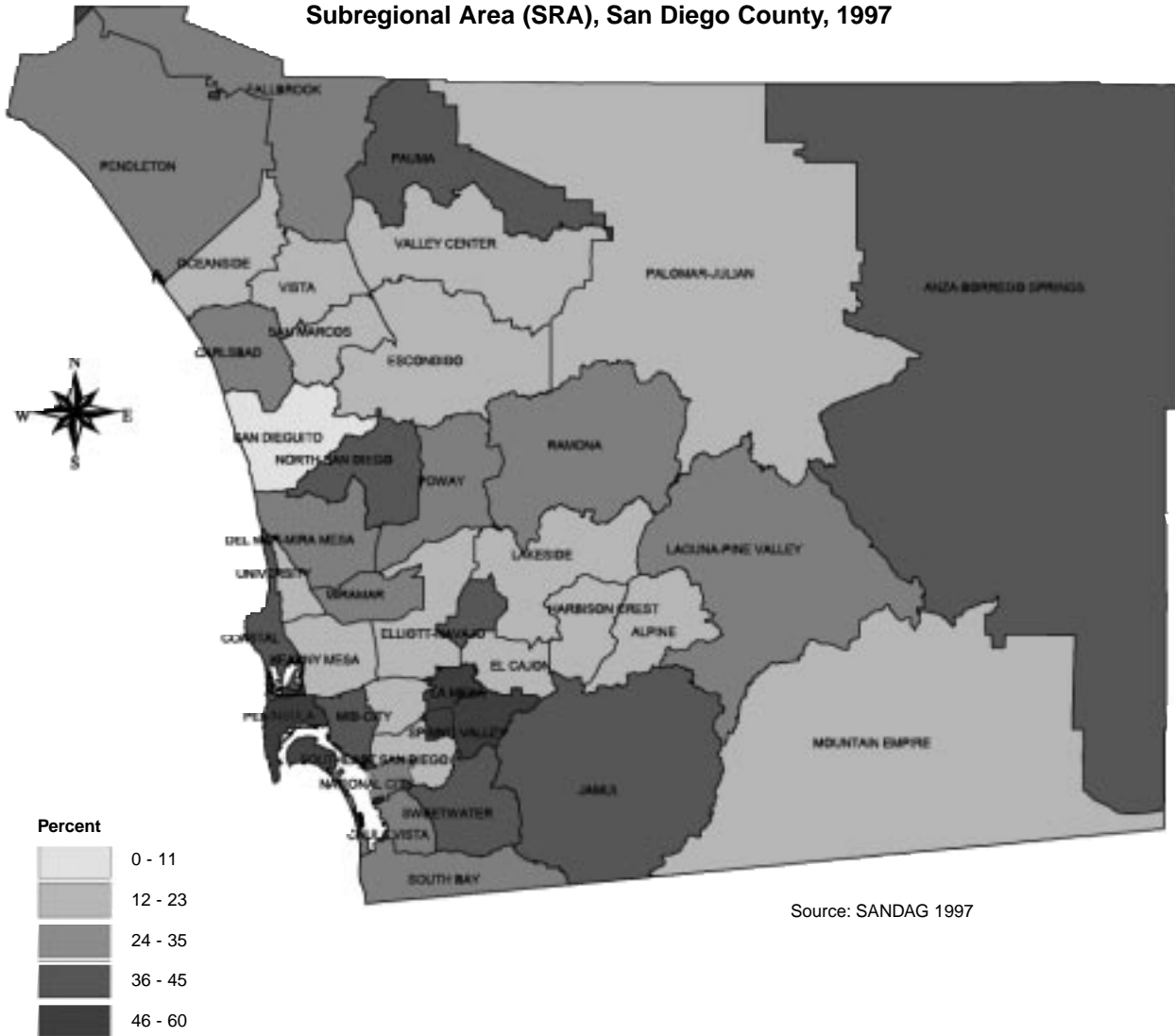
We have seen that how income is distributed has changed since 1980 and have suggested that this has been one important factor affecting the standard of living of workers and their families. While approximately 31 percent of all households in San Diego County earned less than \$25,000 in 1997, household income is not distributed evenly geographically (Figure 6.1).

These differences indicate that it is important to analyze the number of people living in a household if we are to know whether people are earning enough to guarantee a decent life for themselves or are living in poverty. A common method of doing this is to compare household income to predetermined government poverty thresholds that are contingent upon household income and size.¹⁷

Despite relatively constant poverty rates during the 1980s, since 1990 San Diego County has experienced an acceleration of poverty (Figure 6.2). In 1980, 11 percent of the population lived below the official poverty line, and 22 percent of individuals lived below a more realistic threshold (i.e., 150 percent of official poverty level). We consider 150 percent of the poverty threshold to be "realistic" given that other researchers at the state level consider 200 percent to be a "moderate" income level (Brown, Wallace, Pourat and Yu 1998).

¹⁷ Poverty is defined by looking at family size and income and comparing it with a poverty (income) threshold used by the Census Bureau. If a family's income falls below the threshold for its size, all individuals within the family are considered poor. For example, in 1997, the poverty threshold for a family of four with two children under 18 years old was \$16,276. Because the thresholds established by the Census Bureau are often very low, there are a large number of families who earn higher income but still live in a way that many would describe as impoverished. Thus, in a region like San Diego County, where the cost of living is higher than that of the nation as a whole, it is common to raise the poverty threshold as high as 200 percent. Therefore a more realistic poverty threshold for a family of four in 1997 would be \$24,414. In this report, two measures are reported (i.e. 100 percent and 150 percent of poverty threshold).

Figure 6.1: Percent of Households Earning Less Than \$25,000 annually by Subregional Area (SRA), San Diego County, 1997

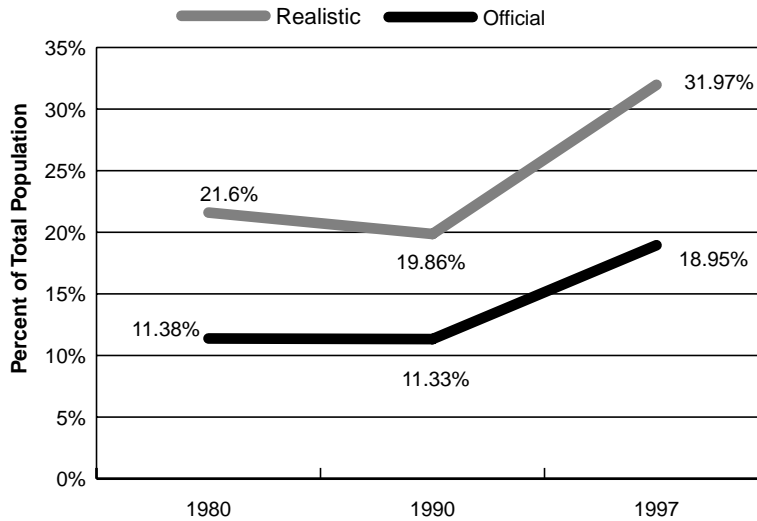


Source: SANDAG 1997

In 1990, the official rate remained at 11 percent and our less conservative rate fell slightly to 20 percent. While official poverty was equally or less prevalent in the San Diego region than in California or throughout the country during the 1980s, by 1997 it had surpassed both.¹⁸ An estimated 508,378 persons (or 19 percent of the population) were living in poverty according to the official conservative definition in 1997. San Diego County's poverty rate was approximately 2.0 percent lower than the California and U.S. rates in 1990, but 2.2 percent higher than California's and 5.7 percent higher than for the coun-

¹⁸ The official poverty rate in California was 11 percent in 1980, 13.9 percent in 1990, and 16.8 percent in 1997. In the United States it was 13 percent in 1980, 13.5 percent in 1990, and 13.3 percent in 1997. See U.S. Bureau of the Census, Current Population Reports, P60-189 and P60-201.

Figure 6.2: Official and Less Conservative Poverty Estimates in San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

try as a whole in 1997.¹⁹ This implies that poverty in San Diego County increased at a faster pace than elsewhere in the United States, and consequently, a diminution in the region's relative standard of living.

As was the case for income, poverty is not distributed evenly among the population. Minorities, especially African Americans and Latinos, experience poverty at a much higher rate than Whites or Asians (Figure 6.3). In 1997, approximately 51 percent of African American, 32 percent of Latino, and 18 percent of Asian families had an income below the official poverty line. By way of comparison, 10 percent of White families did.

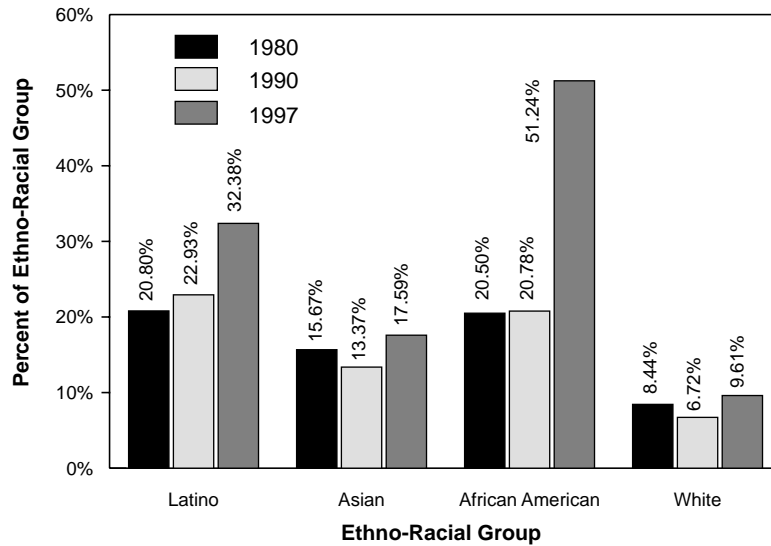
Using our more realistic poverty level, in 1997, approximately 61 percent of African American, 52 percent of Latino, 36 percent of Asian and 19 percent of White families lived in poverty.

Overall, poverty rates for males and females were more similar.²⁰ However, Latino, African American and White females tended to fare more poorly than their male counterparts, and Asian females typically were better off. For instance, 37 percent of Latinas and 28 of Latinos were impoverished. In addition, 14.2 percent of Asian females and

¹⁹ Poverty rates for San Diego County were computed by comparing official poverty thresholds provided by the Bureau of the Census and household size and income data from the 1997 CPS ORG files.

²⁰ In 1997, 17.3 (20.6) percent of males (females) were living in poverty according to the official definitions.

Figure 6.3: Official Poverty Rate by Ethno-Racial Group, San Diego County, 1980-1997



In 1997 almost one out of three children lived in poverty.

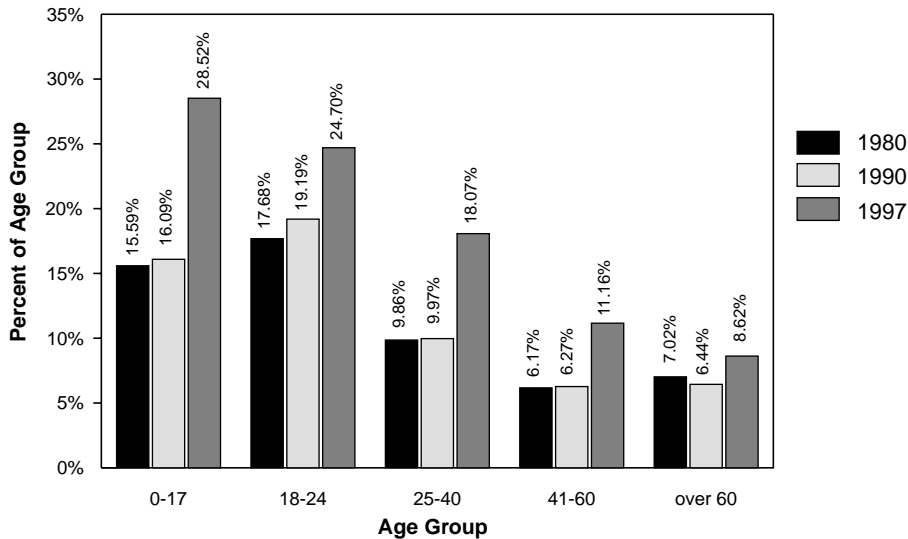
Source: 1980 and 1990 PUMS; 1997 CPS ORG

21.2 percent of Asian males were living in poverty. Except for Asians, all groups were worse off in 1997 than in 1980. African Americans, however, faced the highest increase in poverty, from 20.5 to stunning 51.2 percent of the seventeen-year period.

Children and young adults seem to be disproportionately affected by poverty as well (Figure 6.4). In 1997, 187,111 children were living below the official poverty level – almost one out of three. Similarly, 25 percent of those aged 18 to 24 were poor. It is also important to highlight the fact that although all age groups experienced greater poverty, children faced the largest and most significant increase.

That the youngest members of our region are more severely affected by poverty is troublesome. Children living in poverty are more likely to be unhealthy and less likely to be well prepared for future opportunities to the extent that the quality of education is related to poverty. Furthermore, the fact that a significant number of young adults (aged 18 to 24) live in poverty suggests that the jobs available to them do not provide sufficient income.

Figure 6.4: Official Poverty Rate by Age Group, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

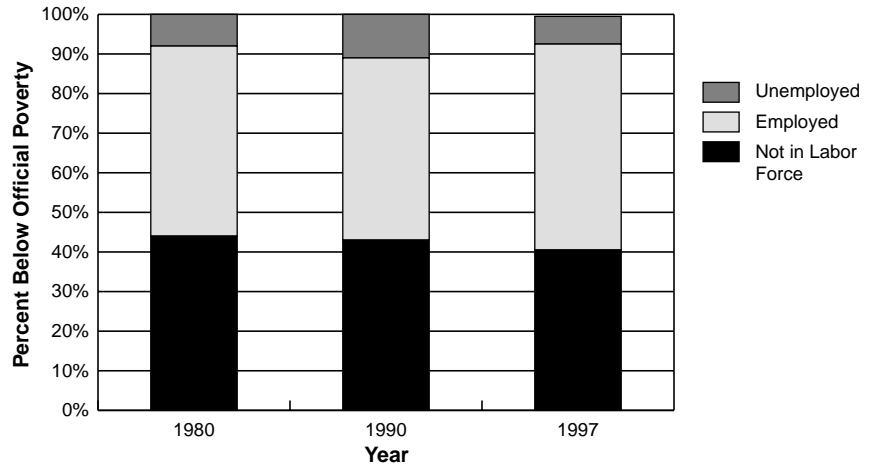
One out of every 10 workers does not earn enough to escape poverty in San Diego County.

Traditionally, poverty has been attributed to various causes. However, a commonly held belief is that poor individuals are lazy and do not work. The employment composition of poverty in San Diego County strongly suggests otherwise (Figure 6.5). Among working age individuals who experienced (official) poverty in 1997 fully 59 percent were either employed (51 percent) or looking for work (8 percent). This finding warrants amplification given recent welfare reform legislation assumed otherwise.

One out of every 10 workers does not earn enough to escape poverty in San Diego County. More specifically, in 1997 over 130,000 individuals in the region (approximately 11 percent of the total working population) were not taking home enough to hurdle the Census Bureau's conservatively defined level of poverty.

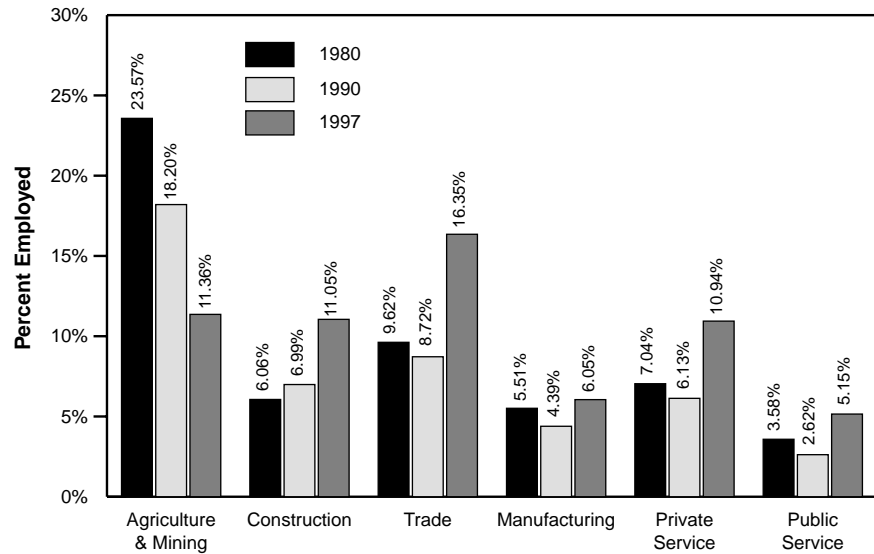
Some industries are characterized by a larger share of jobs that pay poverty-level incomes (Figure 6.6). Agriculture and Mining, for instance, have historically had the largest proportion of its workers living in poverty. But Construction, Trade and Service Sectors also have relatively high proportions of workers who are also poor.

Figure 6.5: Official Poverty Among Adults by Work Status, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

Figure 6.6: Official Poverty Rates, by Major Industrial Sector, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

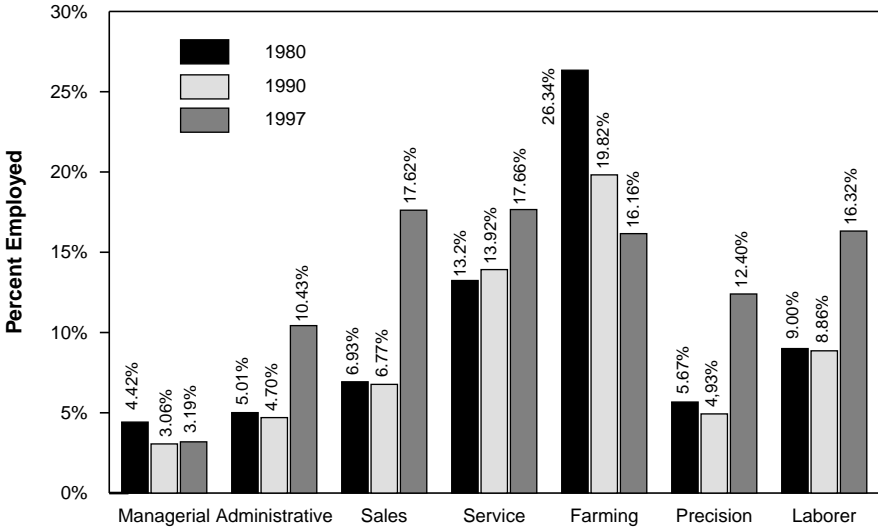
Higher proportions of impoverished workers in 1997 were also found in Service and Sales occupations, as well as in Farming, Precision and Laborer occupations – those known to employ a larger share of minimum wage workers (Figure 6.7).

Figure 6.8, however, shows that the real value of the minimum wage has fallen since 1980 and plummeted since the late 1960s. At its peak, in 1968, the minimum wage was more than \$7 per hour in today’s dollars. Again, as we saw in Section V, ethno-racial minorities and women occupy these occupations disproportionately, and were thus more likely to have been affected by this trend.

Impact of Welfare "Reform"

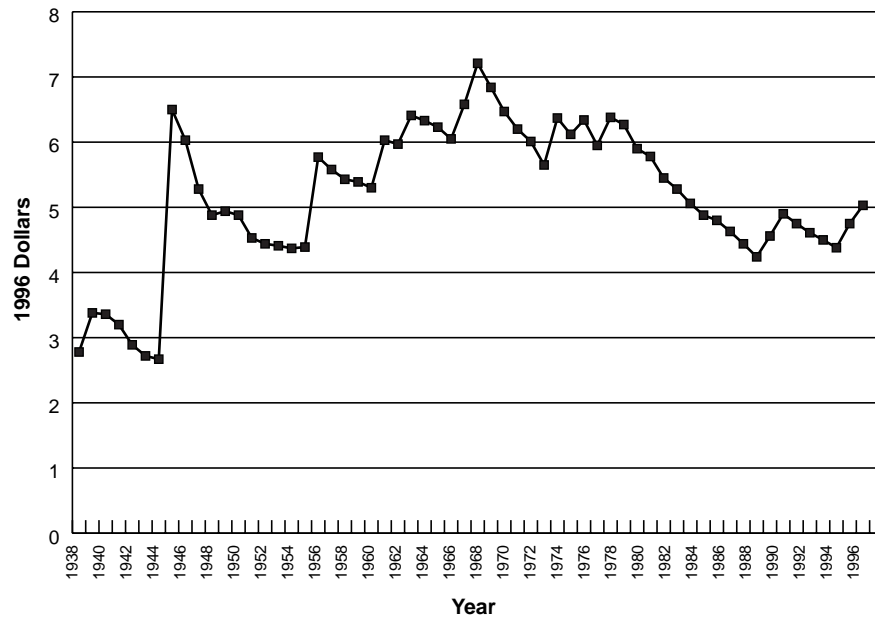
Following the passage of the 1996 Welfare Reform Act, California enacted the California Work Opportunity and Responsibility for Kids (CalWORKS) program as the Temporary Assistance for Needy Families (TANF) program for the state. TANF replaced what was formerly called Aid to Families with Dependent Children (AFDC). Based on a December 1997 CalWORKs Baseline Characteristics Survey administered by the County of San

Figure 6.7: Official Poverty Rate by Major Occupation, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG

Figure 6.8: Real Minimum Wage Rate, 1938-1997



Source: Bureau of Labor Statistics (1998); Department of Labor (1998)

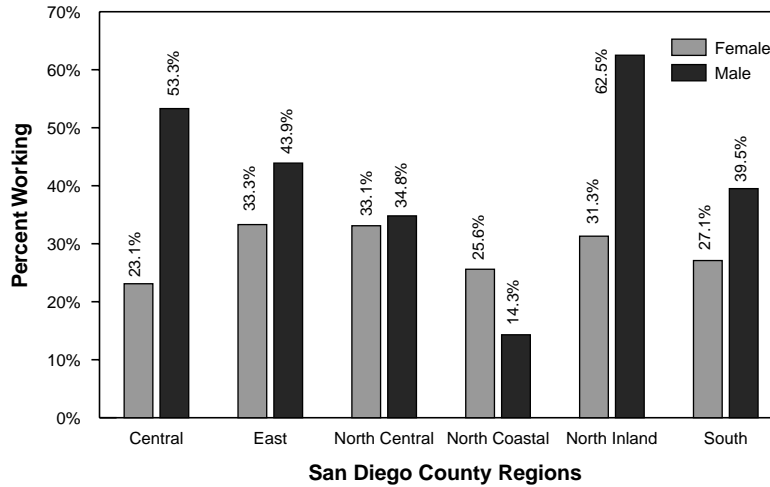
Diego's Family Resource Bureau that surveyed approximately two percent (917 cases) of the county's existing caseload, between 14.3 and 62.5 percent of all enrolled males work depending on where they reside (Figure 6.9). Between 23.1 and 34.8 percent of all enrolled females do.

By examining the hours worked per week by employed CalWORK adults, we can also see that females work between 25.81 and 28.91 hours per week and males between 26.03 and 40 hours per week on average (Figure 6.10). Nor does it appear, when analyzing average hourly wages of the "welfare" population throughout the county in 1997, that employed CalWORKs males or females have jobs that pay enough to lift them out of poverty (Figure 6.11).

Expanding Asset Ownership and Declining Returns on Investment

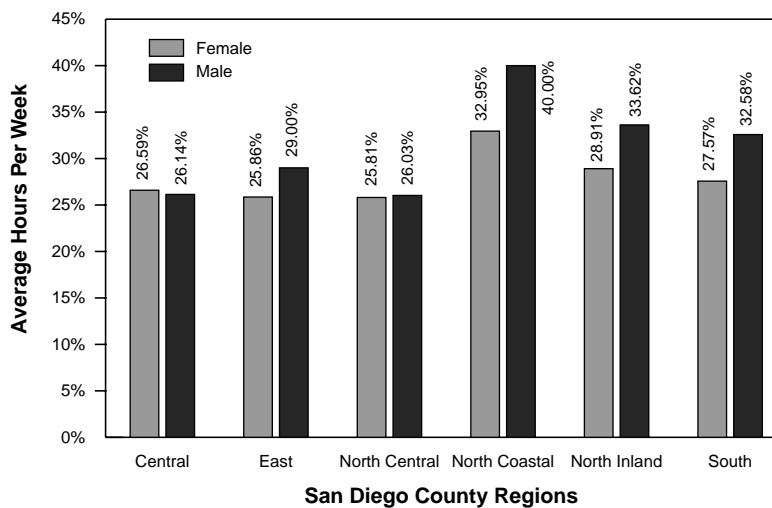
Yet another indicator of a community's standard of living is the amount of wealth owned by individuals and the way in which ownership is distributed across the population (Oliver and Shapiro 1995). In San Diego County, the percentage of those aged 18 to 64

Figure 6.9: Percent of All Adults in the CalWORKs Program Who Are Employed, by Region, San Diego County, 1997



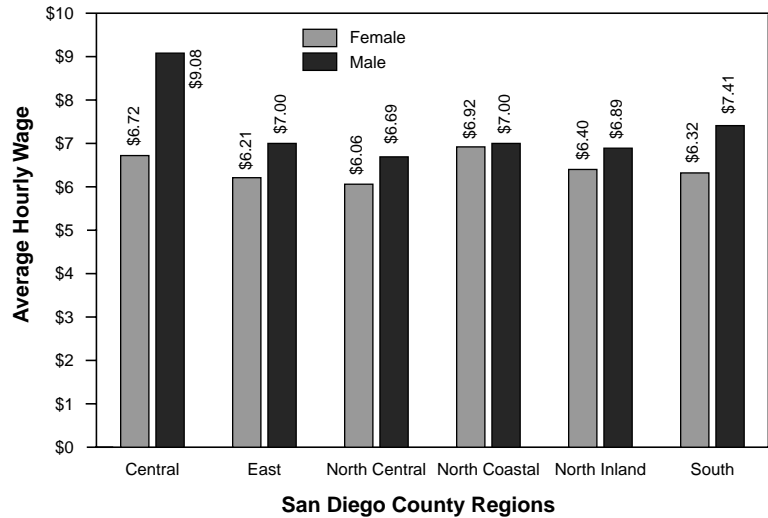
Source: County of San Diego Health and Human Services Agency and Family Resource Bureau.

Figure 6.10: Hours Worked per Week by Employed Adults in the CalWORKs Program by Region, San Diego County, 1997



Source: County of San Diego Health and Human Services Agency and Family Resource Bureau.

Figure 6.11: Hourly Wage of Employed Adults in the CalWORKs Program by Region, San Diego County, 1997



Source: County of San Diego Health and Human Services Agency and Family Resource Bureau.

who owned any form of financial or real estate assets increased from 24 to 47 percent from 1980 to 1997 (Figure 6.12). This sharp increase is reflective of the general rise in GRP since 1980 as reported in Section III.

The proportion of women owning assets has risen considerably and has become almost identical to that of men. This expansion of ownership was sparked by a robust growth in the value of stocks and relatively low interest rates. Additionally, people have been

Figure 6.12: Share of Population, 18 to 64 years Old, Owning Financial and Real Estate Assets, and Median Real Asset Revenue (in 1995 Dollars), San Diego County, 1980-1997

	1980		1990		1997	
	Share Owner	Median Income	Share Owner	Median Income	Share Owner	Median Income
Total	23.72%	\$694	22.39%	\$700	46.50%	\$306
All Males	23.72%	\$749	26.75%	\$700	47.79%	\$323
All Females	17.05%	\$601	17.59%	\$681	44.93%	\$267

Source: 1980 and 1990 PUMS; 1997 March CPS

encouraged by lending and investment institutions to invest in personal retirement plans and to purchase homes.

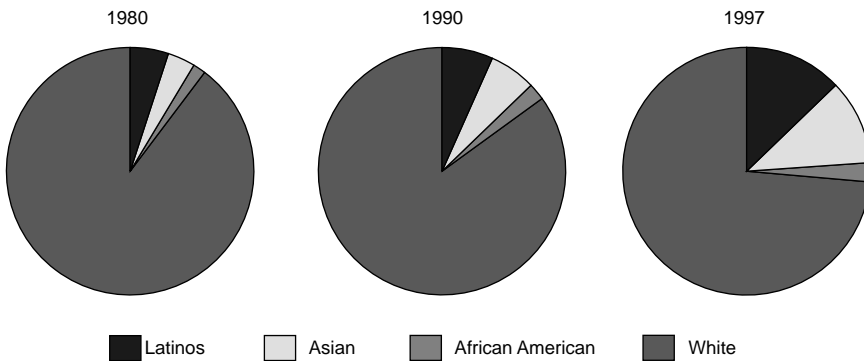
As before, however, the devil is in the details. Moving in the opposite direction of asset ownership, median asset income (return on investment) has decreased drastically since 1990. For example, in 1990 real median asset revenues were \$700 a year. In 1997 they were \$306. This means that while more individuals invested, the value they received on their IRAs, 401Ks and other investments declined.

Wealth ownership is also distributed unequally by ethnicity and race despite a trend toward greater equality since 1980 (Figure 6.13). Although Whites represented 55 percent of the population in 1997, they represented 74 percent of all those who owned financial or real estate assets in the county. Minorities, on the other hand, especially African Americans and Latinos, were significantly underrepresented among owners.

The Rising Cost of Living and Working in San Diego County

Although income, poverty, and wealth trends give us valuable information regarding the population's standard of living, it is important to consider specific components of consumer spending to see whether people can afford basic necessities. These include housing, health care, transportation, and – given the proliferation of single-parent and two

Figure 6.13: Ethno-Racial Distribution of Asset Ownership, San Diego County, 1980-1997



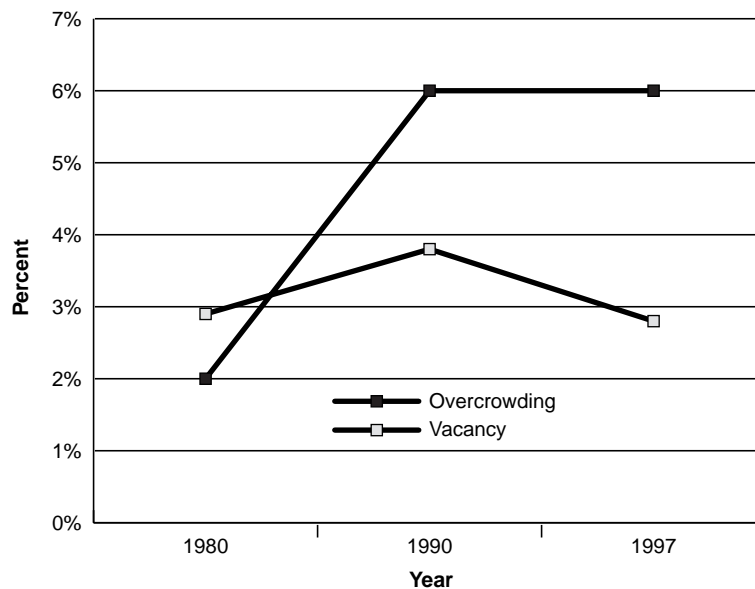
Source: 1980 and 1990 PUMS; 1997 March CPS

income-earner households – child care. These cost components are sometimes overlooked when analyzing the ability of working people to sustain themselves economically and to contribute to a regional economy - one of the stated goals of recent welfare and minimum wage legislation.

Housing

Affordable Housing has become a critical issue in the San Diego region and is directly related to other issues addressed in this report (Morris 1998). Although the stock of housing increased by 60,503 units between 1990 and 1997 (SANDAG 1998), the rate of this growth has been slower than the overall household population growth. Consequently, vacancy rates have declined and overcrowding has increased (Figure 6.14).²¹ Not surprisingly, given the higher demand for housing, new and resale home prices have risen (Figure 6.15) as well as rents (Figure 6.16). As a result, average rental payments now claim a larger share of average household income (Figure 6.17).

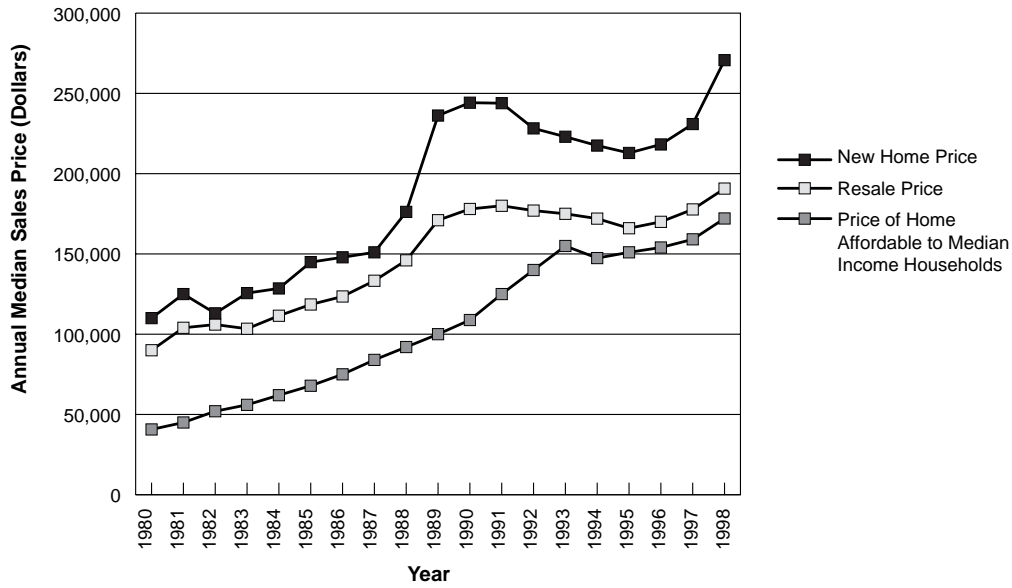
Figure 6.14: Overcrowding and Vacancy Rates in San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 CPS; 1998 San Diego City Apartment Association

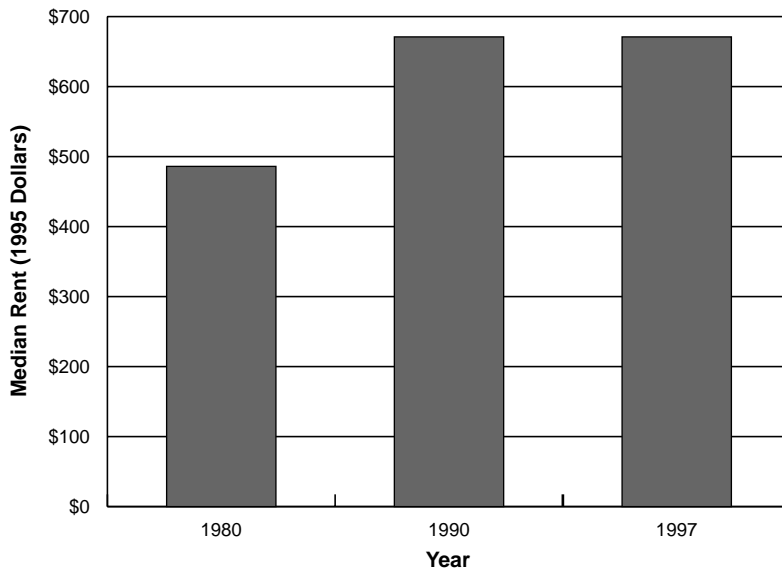
²¹ Overcrowding is defined as the percentage of houses that have at least seven household members.

Figure 6.15: Housing Prices of Single Family Units, San Diego County, 1980-1997



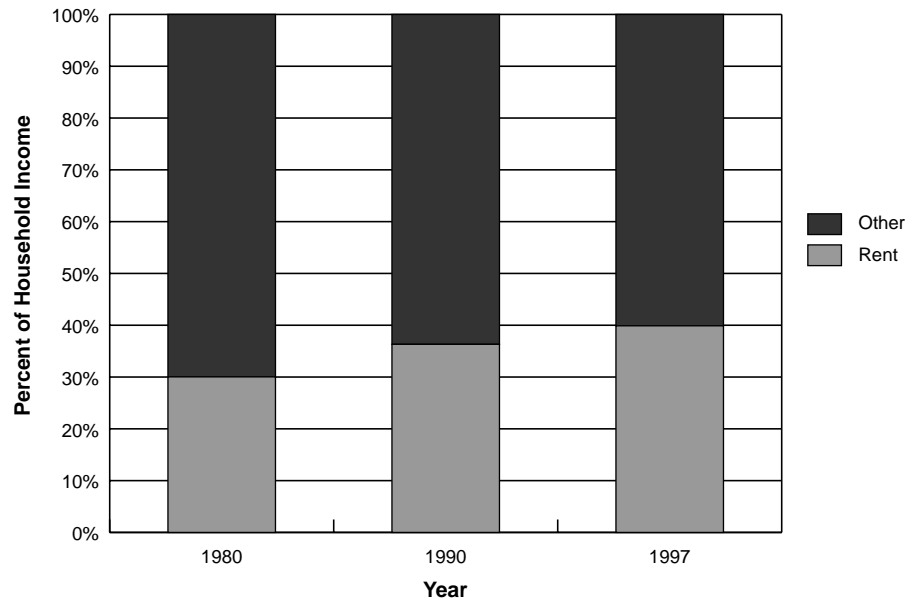
Source: Reeb Development Consulting (1998).

Figure 6.16: Median Real Rent, San Diego County, 1980-1997



Source: 1980 and 1990 PUMS; 1997 March CPS

Figure 6.17: Share of Household Income Allocated to Rent Payments, San Diego County, 1980-1997

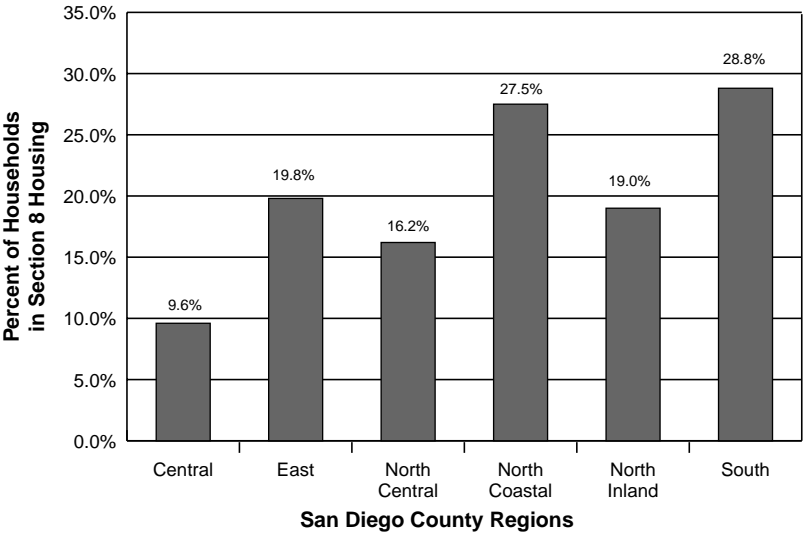


Source: 1980 and 1990 PUMS; 1997 March CPS

Interestingly, 58 percent of all existing housing was built for single families and tends to be more expensive. More affordable housing, such as apartments or multiple family units made up only 37 percent of the housing stock in recent years. The remaining five percent consists of mobile homes. Only 24 percent of all units constructed in recent years have been designed for multiple families (SANDAG 1997). Consequently, San Diego has experienced a decline in the quantity of affordable housing.

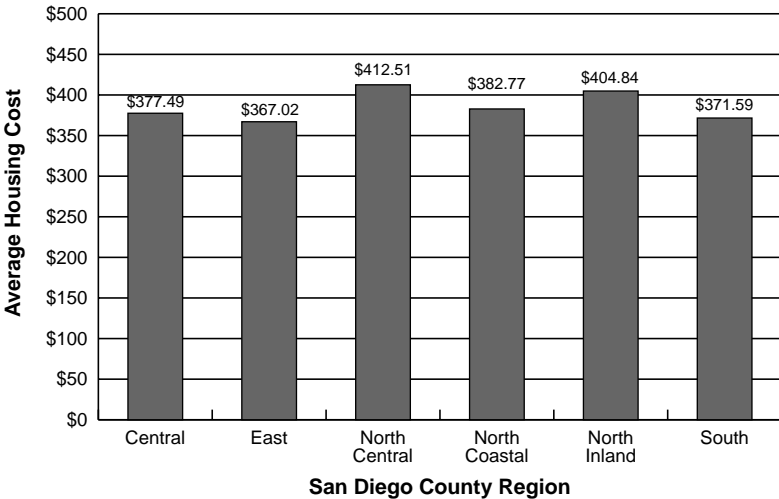
One result has been that many CalWORKS enrollees require housing assistance as well. As of December 1997, between 9.6 and 28.8 percent of all households (depending on geographical location) enrolled in CalWORKS received this type of financial help (Figure 6.18). As can be seen in Figure 6.19, housing costs do not vary considerably for CalWORKS households, ranging from \$371.59 to \$412.77 per month.

Figure 6.18: Percent of Households in the CalWORKs Program with Subsidized Housing, San Diego County, 1997



Source: County of San Diego Health and Human Services Agency and Family Resource Bureau.

Figure 6.19: Monthly Housing Costs for Households in the CalWORKs Program, San Diego County, 1997



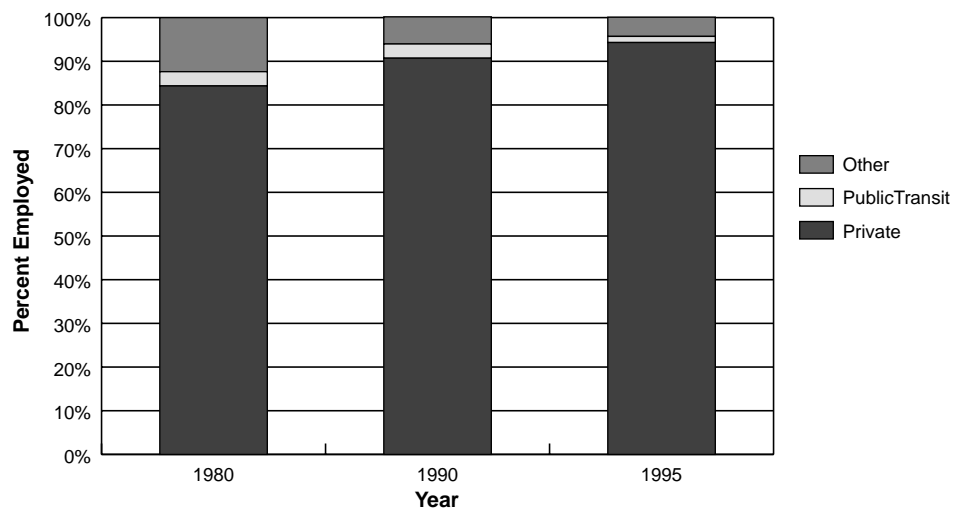
Source: County of San Diego Health and Human Services Agency and Family Resource Bureau.

Transportation

Given the fact that jobs are often concentrated in business districts and other concentrated geographical areas, a dearth of public transportation may reduce the economic opportunities of individuals residing in peripheral areas, and consequently reduce the available pool of workers for employers (Pastor and Marcelli 1999). Throughout the region the workforce has had to rely increasingly on privately owned automobiles to get to and from work (Figure 6.20).

While in 1980, 84 percent of the population used private means of transportation, in 1995 the figure had risen to 96 percent. During the same period, public transit became less popular and in 1995 it served only one percent of all workers. Similarly, very few people use other means of transportation such as walking or bicycling, although more than 13 percent did so in 1980. These trends reflect the inadequacy of the public transportation system to provide an alternative means for people to commute to and from their place of employment. Three consequences, not unrelated to decisions concerning housing construction, are environmental decay, urban sprawl, and the exclusion of those who cannot afford a reliable car from certain jobs.

Figure 6.20: Type of Public Transportation, 1980-1995



Source: 1980 and 1990 PUMS; SANDAG (1996)

Infrastructure

The well-being of working families is also dependent on the availability and quality of public facilities and services such as libraries, schools, parks, and public transportation – the goods and services directly or indirectly provided by government. Local governments in particular are supposed to provide most of those facilities and services essential for a high quality of life for their citizens. Additionally, fundamental values of equal opportunity and fairness demand that such provision be made equitably to all neighborhoods within each locality.

While no analysis on the equitable distribution of public facilities for the San Diego region exists, it is well known that significant differences exist in the City of San Diego between the "urbanized" communities of the city – the older, mostly lower-income neighborhoods generally located south of I-8 – and the "urbanizing," suburban communities such as Carmel Valley or Rancho Bernardo. The newer sections enjoy public facilities, such as parks and libraries, that actually exceed city standards while the older areas face decaying infrastructure and a shortage of public facilities (Citizens Finance Committee 1990; City of San Diego 1993). Additionally, "larger facilities in the urbanizing communities are more costly to maintain. Funds for maintenance of those facilities typically come from the general fund" (Manager's Report, 1993). Thus, the wealthier neighborhoods not only enjoy better facilities, but also require a larger portion of the City's budget for maintenance and operations. This problem, although in existence since the mid-1980s, has received only scant attention, thus deepening the fractures that have developed between the city's core neighborhoods and its newer suburban areas.

Childcare

Childcare data is not available in traditional data sources, but we can estimate both the number of children likely to need care and the cost to their parents (United Way 1996: 17). In 1996, there were 558,034 children under 14-years-old. An average of 56 percent of them (312,499) lived in families where either both parents were, or the single parent was, in the labor force (California Child Care Resource & Referral Network 1997). A serious under-supply of licensed childcare facilities exists, however. Only 75,846 child openings ("slots") were available, for example, in 1996. For those who must maintain

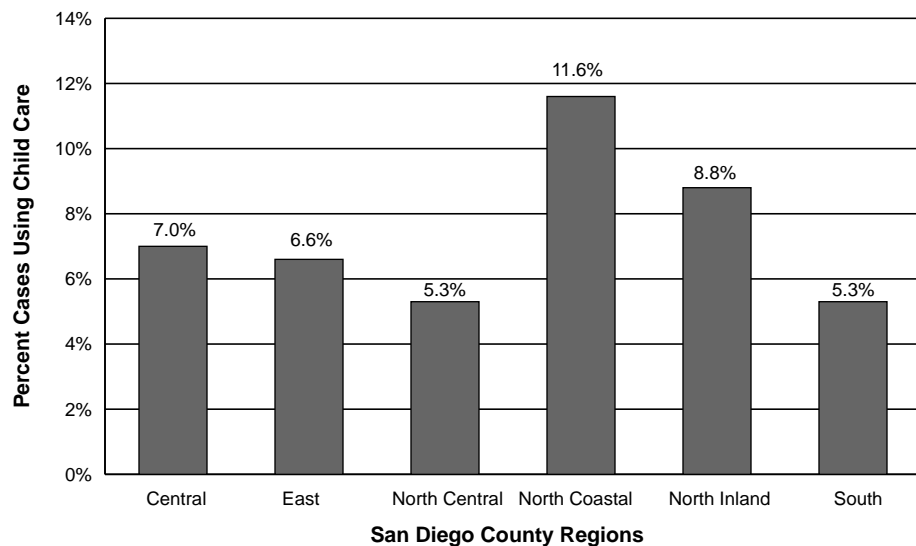
a more flexible work schedule and work on weekends, the shortage is even more burdensome. Relatively few childcare providers offer evening or weekend services.

The cost of care for one child ranges from \$78 to \$144 per week depending on the age of the child and the type of provider. Given that the median weekly income in 1997 was \$422, this represents from 18 to 34 percent of weekly earnings. Clearly, childcare costs can be a significant drain on one's disposable income and an obstacle to meaningful and rewarding labor force participation. Among working CalWORKS enrollees, from 5.3 to 11.6 percent used childcare facilities as of December 1997 (Figure 6.21).

Health Care

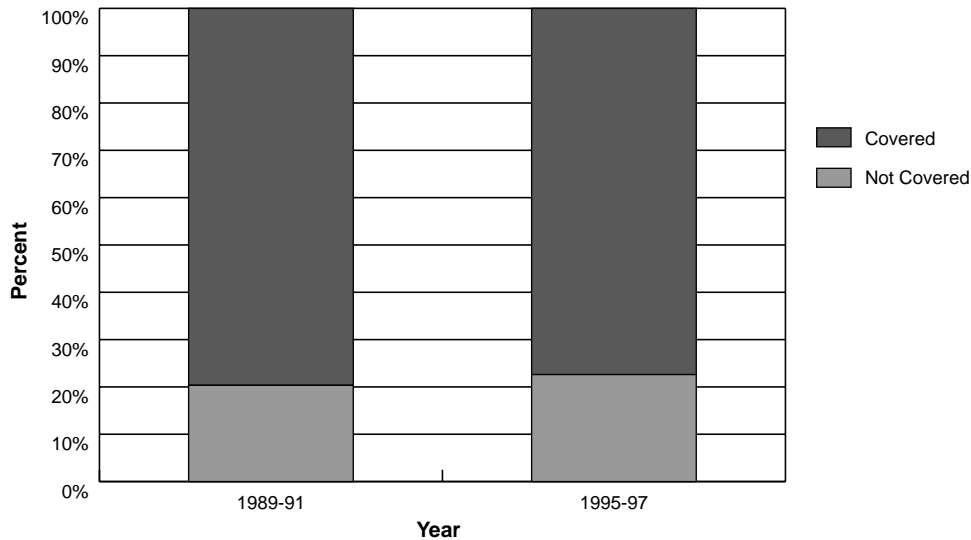
Physiological health constitutes an important aspect of the standard of living. However, many San Diegans are not insured against health risks. Both in 1989-91 and in 1995-97, over 20 percent of the population was not covered by any form of health insurance – whether public or private (Figure 6.22). This proportion is much higher than the national average of 15.6 percent and similar to the California average of 20.1 percent (U.S.Bureau of the Census 1996).

Figure 6.21: Child Care Usage by Persons in CalWORKS Program, San Diego County, 1997



Source: County of San Diego Health and Human Services Agency and Family Resource Bureau.

Figure 6.22: Percent of Adult Population Covered by Health Insurance, San Diego County, 1989-1997



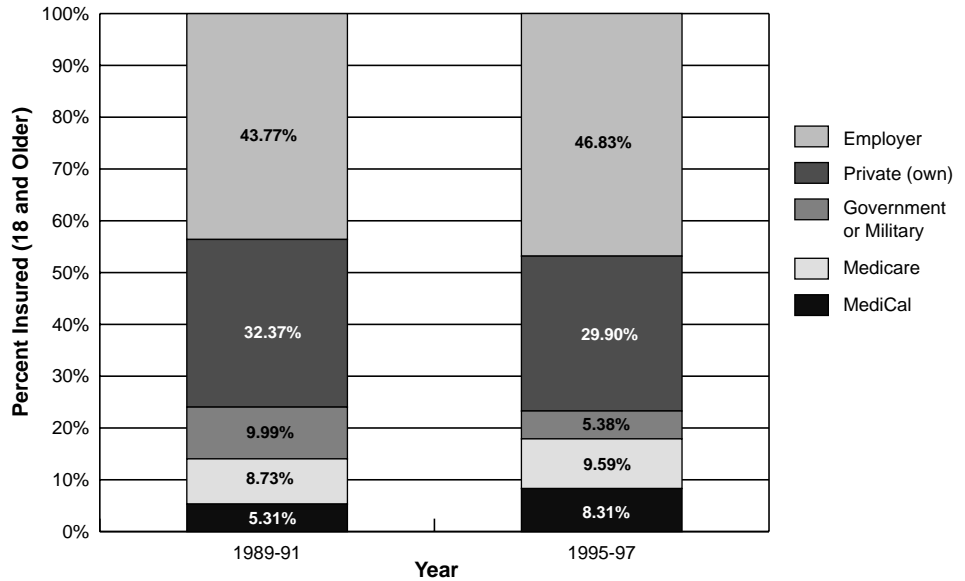
Source: 1989, 1991, 1995, 1997 March CPS

72 percent of the US population had their health insurance fully or partially paid by their employer, -compared to 47 percent of the population in San Diego

This may be explained by the fact that, in San Diego, a smaller share of the population receives health insurance through employment than in the nation as a whole. For example, in 1996, 72 percent of the US population had their health insurance fully or partially paid by their employer, compared to 47 percent of the population in San Diego (Figure 6.23). This illustrates the close relationship between standard of living and job quality, and emphasizes the fact that many of the jobs created in San Diego do not offer adequate compensation packages. From 1989 to 1997, an increasing number of people had to rely on Medicaid or Medicare to obtain health services.

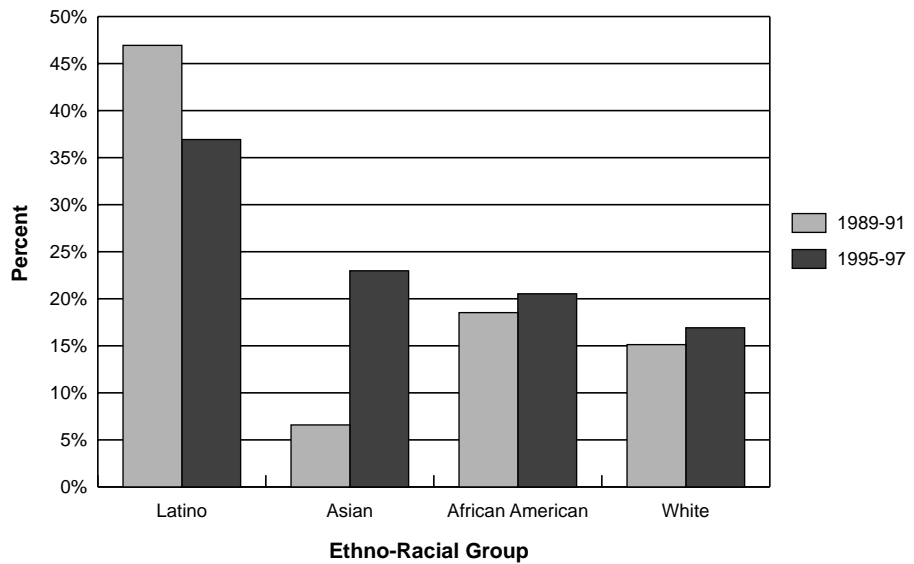
As with other indicators of public well-being discussed throughout this report, the lack of health insurance is not equally distributed among the population. Latinos and younger people are much more likely not to have health insurance. In 1989-91, 47 percent of Latinos were not covered by health insurance compared to 7 percent of Asians, 18 percent of African Americans and 15 percent of Whites (Figure 6.24). In 1995-97, however, the proportion of Latinos not covered declined to 37 percent, while that of African Americans rose to 21 percent, the share of Asians to 23 percent, and that of Whites to 17 percent.

Figure 6.23: Health Insurance Coverage by Type of Provider, San Diego County, 1989-1997



Source: 1989, 1991, 1995, 1997 March CPS

Figure 6.24: Percent of Adult Population Without Health Insurance by Ethno-Racial Group, 1989-1997



Source: 1989, 1991, 1995, 1997 March CPS

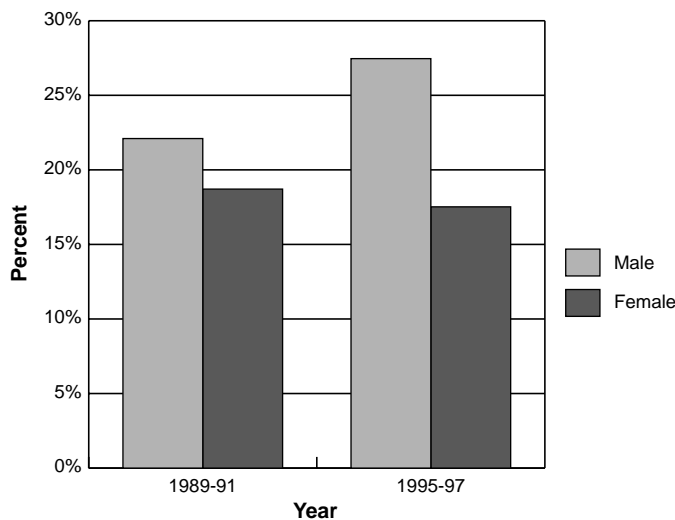
Health insurance coverage also varies with gender and age. The percentage of the adult male population in the region who were uninsured was about 23 percent during the 1989-91 period, but rose to above 27 percent in the 1995-97 period (Figure 6.25). The proportion of females declined slightly – from 18 to 17 percent. While very few elderly persons are not covered by a health insurance package, a large proportion of young adults are not (Figure 6.26).

Self-sufficiency Wage Levels

An interesting way to look at the cost of living is to measure whether individual earnings are sufficient to support a family. A study by the organization Wider Opportunities for Women (WOW) generated estimates of the cost of living in San Diego County (including housing, child care, food, transportation, taxes, etc.) for different family types and computed threshold hourly wages necessary to support them (Figure 6.27).

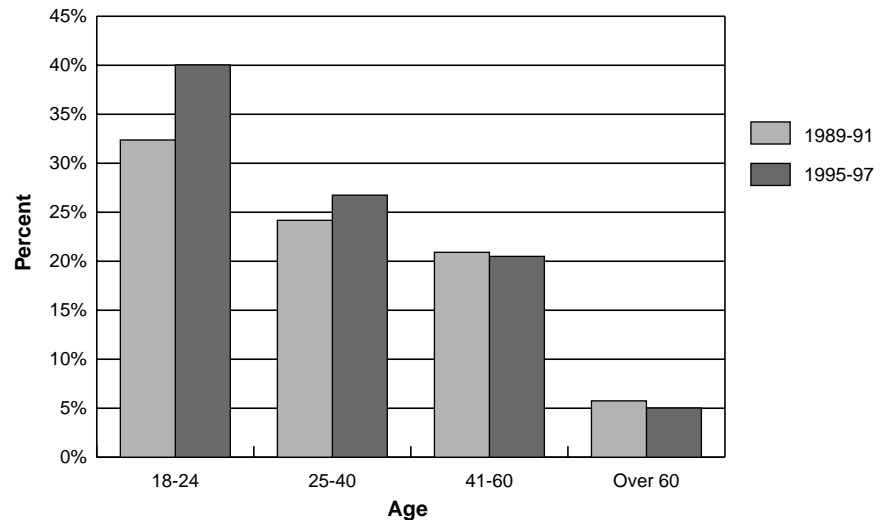
For example, we can borrow WOW's assumption that a single individual residing in San Diego County in 1996 needed to earn a threshold monthly income of \$1,136.97 (or \$6.46 per hour) to afford basic necessities without help from other sources. Applying

Figure 6.25: Percent of Adult Population Without Health Insurance by Gender, San Diego County, 1989-1997



Source: 1989, 1991, 1995, 1997 March CPS

Figure 6.26: Percent of Adult Population Without Health Insurance by Age Group, San Diego County, 1989-1997



Source: 1989, 1991, 1995, 1997 March CPS

this to data for 1997 we can compute a conservative estimate of the number of single working adults who were not earning enough to sustain themselves in 1997. This is a conservative estimate because inflation occurred between 1996 and 1997, thus making it a little more expensive to afford each of the "necessary" items listed. Similarly, a family of two working adults with three children needed a monthly income of \$3,174.20, which represents \$9.02 per hour for each adult (Figure 6.27).

Throughout San Diego County, 23 percent of all workers in 1997 did not earn sufficient hourly wages to support themselves (Figure 6.28). Moreover, 56 percent of workers did not earn enough to support themselves and one infant without help from a secondary source. Similarly, over 40 percent of workers did not earn enough to support a family of two adults and two children. When we consider gender differences, we see that larger proportions of working women are unable to support themselves and their families regardless of the number of people per family (Figure 6.29).

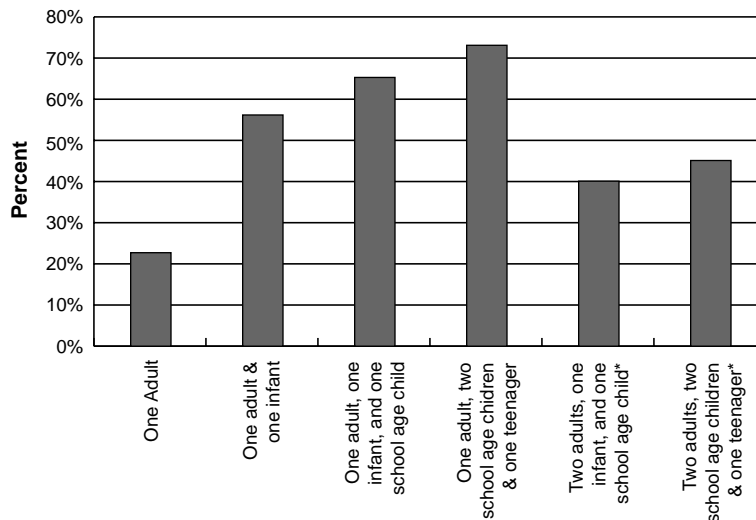
These findings suggest that a large share of the population is unable to afford the goods and services needed to support their families based on a standard most would consider extremely low – at least for themselves or their families. In particular many women are

Figure 6.27: Self-Sufficiency Wages for Various Family Types, San Diego County, 1997

	One Adult	One Adult & one infant	One Adult, one infant & one school age child	One adult, two school age children & one teenager	Two Adults, one infant & one school age child	Two adults, two school age children & one teenager
Housing	\$541.00	\$677.00	\$677.00	\$940.00	\$677.00	\$940.00
Child Care	\$0.00	\$411.35	\$621.00	\$420.00	\$621.35	\$420.00
Food	\$125.00	\$199.90	\$315.35	\$486.30	\$457.45	\$628.40
Transportation	\$114.16	\$117.81	\$117.81	\$117.81	\$231.97	\$231.97
Medical Care	\$77.35	\$158.13	\$176.79	\$199.95	\$225.45	\$248.62
Miscellaneous	\$85.75	\$156.42	\$190.83	\$216.41	\$221.32	\$246.90
Taxes	\$193.71	\$338.79	\$413.43	\$468.49	\$483.26	\$538.32
Earned Income Tax Credit (-)	\$0.00	(\$14.14)	\$0.00	\$0.00	\$0.00	\$0.00
Child Care Tax Credit (-)	\$0.00	(\$44.00)	(\$80.00)	(\$80.00)	(\$80.00)	(\$80.00)
Monthly Self-Sufficiency Wage	\$1,136.97	\$2,001.25	\$2,432.55	\$2,768.95	\$2,837.80	\$3,174.20
Hourly Self-Sufficiency Wage	\$6.46	\$11.37	\$13.82	\$15.73	\$8.06 per adult	\$9.02 per adult
Percent of jobs that pay less than self-sufficiency wage	20.79%	53.72%	63.40%	71.55%	37.66%	42.62%
Males	18.34%	49.22%	58.39%	66.22%	33.56%	38.03%
Females	22.50%	64.50%	69.00%	77.25%	42.25%	47.75%

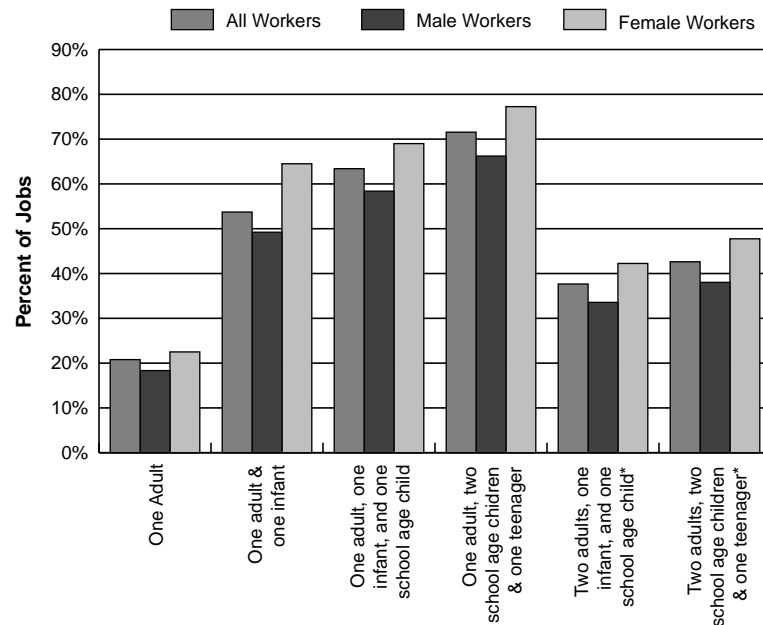
Note: The self-sufficiency wage computations assume that adults work full-time
 Source: Wider Opportunities for Women (1996)

Figure 6.28: Percentage of Jobs Not Paying a Sufficient Wage to Support Various Family Types, San Diego County, 1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG; Wider opportunities for Women (1996)
 * assuming both adults working

Figure 6.29: Percentage of Jobs Not Paying a Sufficient Wage to Support Various Family Types by Gender, San Diego County, 1997



Source: 1980 and 1990 PUMS; 1997 CPS ORG; Wider opportunities for Women (1996)
 * assuming both adults working

finding it more difficult than men to make ends meet.

In summary, the standard of living in San Diego County has increased for some working people – but many are being left behind. This is partly because the inflation-adjusted incomes of average income-earning individuals have remained flat and because income inequality between high- and low-income earners has widened. However – as we have seen in this section – the fact that fewer employers are providing an inadequate level of in-kind employment benefits such as health care and childcare assistance also contributes to regional economic insecurity.

We have also seen that women, ethno-racial minorities, and younger San Diegans are disproportionately harmed by the trends outlined in this report. What is perhaps most surprising, is that most of these individuals work and earn an income. Still what they earn is often not enough to lift many of them out of poverty, or does not provide enough to sustain themselves and their families at reasonable standards of livability.

VII Discussion

This report describes both the fortunes and failings of the new economy in San Diego County. On one hand, economic growth has been, and continues to be, impressive. And San Diegans are working harder. On the other hand, widening inequality and rising poverty have accompanied growth during the 1980s and 1990s.

While some may be willing to accept inequality as an inevitable and necessary component of a modern economy, a more equitable distribution of income and economic growth are not conflicting goals. Recent evidence from across the country suggests that the more widely shared is the wealth generated in a particular region, the more likely is that region to grow economically in the future.

We believe that the region's recent triumphant growth sets the stage to create an economy of shared economic prosperity and that doing so lays the foundation for future growth. At the very least, recent growth makes it possible to raise the standard of living for the many San Diegan workers who have been left behind in a rapidly changing economy. At best, improvements in the standard of living for working San Diegans will also result in lower employee turnover, a healthier workforce, and a more competitive regional economy.

The most crucial element of developing a plan for shared economic prosperity is to highlight the most fundamental challenges that lay before us: the restructuring of the economy, the changing structure of work and targeting strategies for promoting a more equitable distribution of growth.

Structural Challenges

Our analysis reveals some disturbing trends. First, the structural shift in the economy away from Manufacturing and Public Service and toward Private Service has produced lower wages, declining benefits and fewer opportunities for upward occupational mobility. In the past, a person just out of high school could often get a job that paid decent wages, provided stable benefits and included the potential to move into better paying jobs over time. Today, this is not the case even for some with a college education.

But the shift to a service-oriented economy is not the only way in which the economy has changed structurally. The changing structure of work – an increased use of part-time and temporary workers, outsourcing, declining unionization and declining health care coverage – has also contributed to an economy that is less stable for working families.

San Diego is also in the midst of a profound demographic shift. Lower fertility rates among White persons have combined with rising Latino and Asian population growth to produce a more diversified ethnic and racial mix. These changes are still in their infancy and we have only begun to see the impact they will have on the region. Over the next several decades San Diego County will continue to rely more and more on non-White workers to produce the goods and services needed to serve an aging – primarily White – population.

An encouraging sign is that San Diegans of all ethno-racial groups are investing more in their education today than before. On average, for example, women have caught up to men in terms of level of education. However, the education levels of African American and Latino adult workers continue to lag behind that of Asian and White workers.

Finally, the essential components of economic security are becoming more expensive. Housing, childcare, health insurance, and transportation costs are demanding greater and greater portions of family earnings at the same time as incomes have remained flat or have fallen. More family members are working than ever before just to make ends meet.

Shared Economic Prosperity

The structural changes noted above are strongly influenced by local business, public policy and government decision-making. In short, the regional economy is the product of a myriad of decisions made by many people over time. But just as not all have shared in the economic growth that San Diego has experienced since 1980, neither have all been invited to the table where important decisions are made.

Together all San Diegans can begin to build a community characterized by shared economic prosperity by working toward the following goals:

1. Economic Development instead of Economic Growth Alone

The most important question we face as a region, and as a nation more broadly is: "How can we grow together?" Whereas economic growth is a worthy goal, unless it is shared, it does not lead to regional economic development. A concern with economic development focuses on more than increasing average or per capita Gross Regional Product. It incorporates socioeconomic indicators such as income and wealth inequality, poverty, and whether the existing wage structure enables people to have a decent standard of living.

San Diegans are working longer and harder and earning less – a situation that leaves little time for family and friends and which suggests that economic growth may actually detract from both the economic and social health of the region.

2. Living Wages as a Regional Community Standard

The first step toward creating a healthy economy is to establish as a community standard an economy built on jobs that pay living wages, provide health care benefits and support a decent standard of living for people throughout the county – in every neighborhood, in every industry and in every occupation.

We ought to reject the notion of an economy built on wages that aren't adequate to support families in the hope that it will attract outside companies and produce higher profits for existing firms. And we should commit ourselves to rewarding hard work in all sectors that constitute the very fabric of our regional economy - from service industries such as tourism and retail trade to high-tech industries such as biotech and communications.

3. Responsible Public Policy and Investment

We also ought to make sure that every public policy and public investment decision creates jobs that meet the community standard of good jobs. Elected officials and policymakers should use this standard as a guide when committing public tax revenues to fund specific projects, and when offering them as an incentive to companies for economic development purposes – whether it be for stadiums or manufacturing plants.

For instance, we ought to demand that any company that receives an economic incentive in return for doing business in San Diego County must also commit to paying decent wages, providing health care coverage and limiting the amount of part-time and temporary workers it hires. We should not spend one dollar of our tax money to create one job that perpetuates poverty by paying low wages and fails to provide affordable health insurance.

Focusing on economic development and not merely growth in our public policy decisions implies the following:

- Emphasizing the quality rather than simply the number of new jobs.
- Scrutinizing every public asset, investment and expenditure to ensure that we are using our public tax revenues to promote an economy that is growing together.
- Demanding that every public agreement made with private companies ensure the creation of jobs that pay living wages, provide basic health care benefits and offer employee training programs.
- Expanding access and opportunities for low-income communities to pursue higher-wage occupations and industries.
- Investing in housing, childcare, transportation and credit institutions such that they are accessible and affordable to every resident in San Diego County regardless of where they live or what kind of job they have.

4. Rebuild Institutions that Support Career Development and Economic Security

Finally, the efforts of many employers to become more competitive are threatening the economic security and well-being of many families in San Diego County. Indeed, a good argument can be made that downsizing, outsourcing and the increased use of part-time and temporary workers are efforts to obtain the very economic security for companies that is disappearing for many of their employees.

Most workers today no longer have the option of holding the same job for many years or working their way up structured job ladders within one organization. We must therefore create labor market institutions that invest in our workforce by giving them the tools and skills to compete in a changing job market, ensure that working San Diegans have a voice in their economic future and ultimately provide career and economic promise and security.

Economic growth and security are goals on which we can all agree – working San Diegans, their families, and businesses. What is needed in order to promote both a healthy population and a competitive regional economy as San Diego approaches the 21st century is shared economic growth. This means that businesses, workers, government, unions and communities must come together to invest in San Diego's economic future. The result will be greater economic security for both workers and firms, and an economy organized for future shared prosperity.

VIII About the Center on Policy Initiatives

The Center on Policy Initiatives (CPI) was established in 1997 to promote higher standards of living for poor and moderate-income families through research, policy development, public education and effective advocacy. CPI focuses on research and policy development that address structural factors and issues crucial for linking community and regional economic development.

CPI believes a fair economy is one in which economic opportunities are universally accessible. Specifically, a healthy community is one that offers good jobs, democratic workplaces, affordable and accessible health care, quality childcare, effective education, affordable housing and secure retirement benefits.

IX Data Sources and Methodology

The primary data used in Prosperity and Poverty are the 5 percent 1980 and 1990 Public Use Microdata Samples (PUMS), and various annual files of the March 1997 Current Population Survey (CPS) and the CPS Outgoing Rotation Group (ORG) files. There are 93,052 unweighted observations for San Diego County in the 1980 PUMS; 119,475 in the 1990 PUMS; 843 in the 1997 March “Demographic” CPS file; and the twelve 1997 CPS-ORG files combined contain a total of 2,163. However, as the notes below each figure in the text indicated, at times we combined several years of either the March CPS or CPS-ORG files to increase the number of observations at our disposal. We also used various secondary data sources to obtain information not available in census-based products (e.g., Gross Regional Product, Minimum Wage Rates), and the Figures in the report that are based on such data are accompanied by a note stating this.

We choose to use March CPS and CPS-ORG data instead of “average wage” series provided by the U.S. Department of Labor or the “average wage and salary” data available from the State of California Economic Development Department because the former permit computation of earnings at an individual level. This has the advantage of allowing one to link earnings information to demographic characteristics such as educational attainment, ethnicity, race and sex. For our labor market analyses, we include all labor force participants aged 18 to 64, and weighted each observation by the appropriate person-level weight to create samples representative of the entire San Diego County population.

Veteran labor market researchers and The Bureau of Labor Statistics caution against comparing results obtained from PUMS and CPS data, however, no potentially reliable data sources other than the CPS exist after 1990. In an effort to verify the validity of comparing results obtain from the 1997 CPS-ORG files to those generated from the 1990 PUMS, we first compared results obtained from the 1990 PUMS and the 1990 CPS-ORG to estimate how different these two sources are within a given year. For example, we compared the proportional distribution of all labor force participants (aged 18 to 64) in San Diego County by major occupational category in 1990 using both data sources.

OCCUPATION	1990 PUMS	1990 CPS-ORG	DIFFERENCE
Managerial & Professional	29.05	27.86	-1.19
Administrative & Technical	20.82	21.47	0.65
Sales	11.84	21.47	1.37
Service	12.74	14.61	1.87
Faarming, Forestry & Fishing	2.01	3.18	1.17
Precision, Craft & Repair	13.04	9.96	-3.08
Laborer	<u>10.49</u>	<u>9.71</u>	-0.78
Total	100	100	

The above results suggest that care must be given when interpreting changes between 1990 and 1997 using the PUMS and CPS-based files. However, because most of the differences are relatively small we can have some confidence in the direction of change even if each category’s exact proportion is less certain using the 1997 CPS-ORG files.

Although slightly larger discrepancies exist between those who completed some high school and those who earned their diploma compared to those seen in the occupational

comparisons, taken together the total high school difference is small. Applying the sum of the educational attainment differences for those who have some, or have completed, high school to the summed proportions obtain from 1997 CPS-ORG data in Figure 4.9 of the report, we see that the summed proportion declines from 34.70 to 33.26 percent. In short, the trends reported in Figure 4.9 appear to hold even after accounting these differences.

EDUCATION	1990 PUMS	1990 CPS-ORG	DIFFERENCE
None	1.26	0.83	-0.43
Elementary & Middle School	4.71	6.50	1.79
Some High School	10.98	6.31	-4.67
High School Degree	24.35	27.58	3.23
Some College	28.00	29.63	1.63
College Graduate	<u>30.70</u>	<u>29.15</u>	<u>-1.55</u>
Total	100	100	

We also performed more conservative and sophisticated statistical checks on our findings. Specifically, for each cell of each figure showing proportional changes, we computed a test statistic t , to estimate whether the difference between two proportions (e.g., from 1990 to 1997) is statistically significant.

$$t = (P_i - P_{i+1}) / [(P_i * (1 - P_i)) / N_i + (P_{i+1} * (1 - P_{i+1})) / N_{i+1}]^{1/2}$$

In the equation above, P_i is the weighted proportion of a cell (e.g., for the proportion of all labor force participants, aged 18 to 64, who completed college) and N_i is the unweighted number of observations in that cell in year i . Consequently, we only report on findings that have at least 75 unweighted observations and a t -statistic greater than 2 (Kachigan 1986: 182-189).

For those figures in the main text that report weighted absolute, rather than proportional, numbers, we checked to make sure that there were at least 45,000 weighted observations for the entire sample (U.S. Department of Labor 1996). Thus, while comparisons between results obtained from PUMS data are not perfectly comparable to those obtained with CPS data, especially at the local level of San Diego County, we have attempted to verify the reliability of our results and only report those which pass the tests outlined above.

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