

An Equity Profile of the San Francisco Bay Area Region Summary



The Bay Area is already a majority people-of-color region, and communities of color will continue to drive growth and change into the foreseeable future. The region's diversity is a tremendous economic asset – if people of color are fully included as workers, entrepreneurs, and innovators. But while the Bay Area economy is booming, rising inequality, stagnant wages, and persistent racial inequities place its long-term economic future at risk.

Equitable growth is the path to sustained economic prosperity. To build a Bay Area economy that works for all, regional leaders must commit to putting all residents on the path to economic security through strategies to grow good jobs, build capabilities, remove barriers, and expand opportunities for the people and places being left behind.

Foreword

Expanding opportunity is the defining challenge of our time. In the Bay Area, far too many of our families are being left behind, struggling to make ends meet, spending two-thirds of their income on housing and transportation alone. As a region, we are experiencing some of the largest disparities in wealth and income in the nation.

Our region is also the second most diverse in the country, and a microcosm of the nation's future. Communities of color are already the majority. Our diverse, growing population is a major asset that can only be fully realized when all communities have the resources and opportunities they need to participate, prosper, and reach their full potential.

This Bay Area Equity Profile adds to the growing body of research that finds that greater economic and racial inclusion fosters stronger economic growth. When we are talking about innovation, when we are talking about making the economy work for families and children, we are talking about geography, race, and class. We must take bold steps to build pathways of opportunity for communities of color and those at the lowest rungs of the economic ladder in partnership with the public and private sectors.

Our call to action is clear. When we innovate and create new models for economic growth here in the Bay Area, we are making change that will become a model for our nation. This work will take patience. It will take partnership. It will take fortitude. Now is the time to take action to achieve new models for economic growth.

Fred Blackwell
Chief Executive Officer
The San Francisco Foundation

Overview

Across the country, communities are striving to steer metropolitan development and growth toward greater racial and economic inclusion, environmental sustainability, and economic vitality. Over the past five years, more than 70 regions – including the Bay Area – have undertaken formal “sustainable communities” regional planning processes to target their housing, economic and workforce development, and infrastructure investments toward growing more inclusive, resilient, prosperous regions.¹

Demographic and economic trends have pushed equity onto the agenda in discussions about metropolitan futures. America is undergoing a profound demographic transformation in which people of color are quickly becoming the majority. At the same time, inequality is skyrocketing, wages are stagnant for all but the highest earners, middle-class job opportunities are vanishing, many workers remain shut out of the labor force, and racial economic inequities remain wide and persistent. Without a change in course, racial disparities in income, employment, and wealth will weigh more and more heavily on communities and the nation as a whole as communities of color grow as a share of the population.

In addition, a growing body of economic research from academic economists as well as institutions like the International Monetary Fund, the OECD, and Standard & Poor's, finds that lower inequality contributes to economic success. The latest data analyses find that inequality hinders economic growth and prosperity, while greater economic and racial inclusion fosters economic mobility and stronger growth.² Other research emphasizes how diversity contributes to innovation, problem-solving, and business success. Businesses with a more diverse workforce achieve a stronger bottom-line and higher market share.³

All of this suggests that equity – full inclusion of all residents in the economic, social, and political life of the region, regardless of race, ethnicity, age, gender, or neighborhood of residence – is essential for regional prosperity. Ensuring that people of all races and ethnicities can participate and reach their full potential has become more than just the right thing to do – it is an absolute economic imperative.

Embedding equity into regional strategies is particularly important given the history of metropolitan development in the United States. America's regions are highly segregated by race and income, and these patterns of exclusion were created and maintained by public policies at the federal, state, regional, and local levels. In the decades after World War II, housing and transportation policies incentivized the growth of suburbs. Redlining practices and racially restrictive covenants systematically prevented African Americans and other people of color from buying homes in new developments while starving older urban neighborhoods of needed reinvestment. Many other factors – continued racial discrimination in housing and employment, exclusionary land use practices that prevent construction of affordable multifamily homes in more affluent neighborhoods, and political fragmentation – have conspired to reinforce these geographic, racial, and class inequities.

Today, America's regions are patchworks of concentrated advantage and disadvantage, with some neighborhoods home to good schools, bustling commercial districts, services, parks, and other crucial ingredients for economic success, and other neighborhoods providing few of those elements. The goal of regional equity is to ensure that all neighborhoods throughout the region are communities of opportunity that provide their residents with the resources and opportunities they need to thrive.

This Equity Profile of the San Francisco Bay Area Region examines demographic trends and indicators of equitable growth, highlighting strengths and areas of vulnerability in relation to the goal of building a strong, resilient economy. It was developed by PolicyLink and the Program for Environmental and Regional Equity (PERE) to support The San Francisco Foundation, advocacy groups, elected officials, planners, business leaders, funders, and others working to build a stronger and more equitable region. This summary document highlights key findings from the larger profile.

Equitable Growth Indicators

This profile draws from a unique Equitable Growth Indicators Database developed by PolicyLink and PERE. This database incorporates hundreds of data points from public and private data sources, such as the U.S. Census Bureau, the U.S.

Bureau of Labor Statistics, and Woods & Poole Economics, Inc. The database includes data for the 150 largest metropolitan regions and all 50 states, and includes historical data going back to 1980 for many economic indicators as well as demographic projections through 2040. It enables comparative regional and state analyses as well as tracking change over time. Many of the indicators included in this profile can also be found online in the National Equity Atlas at www.nationalequityatlas.org.

Defining the Region

For the purposes of this profile and data analysis, we define the Bay Area region as the five-county metropolitan statistical area, including Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties.

Profile Highlights

The region is leading the nation’s demographic shift

As the nation bolts toward having a people-of-color majority, the Bay Area region is already there. The region is the second most diverse among the largest 150 metros (after Vallejo), with a good mix of residents from every major racial/ethnic group. Communities of color – Latinos, Asians, African

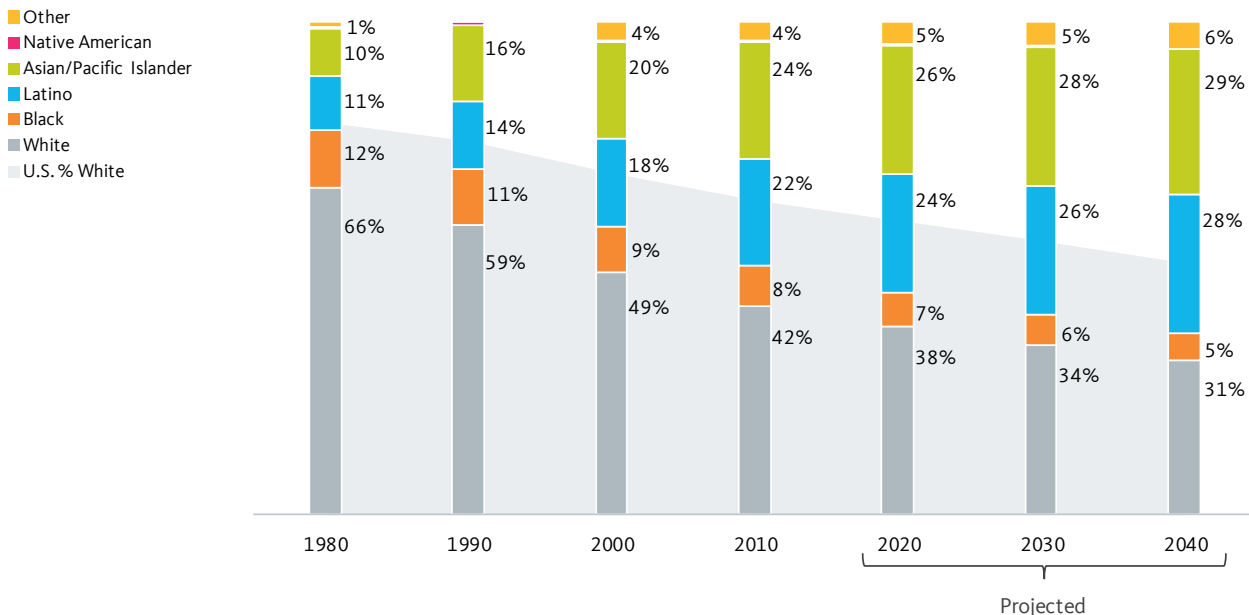
Americans, Native Americans, and people of mixed and other racial backgrounds – constituted the majority by 2000, and today represent 58 percent of residents. The region’s demographics have shifted rapidly: in 1980, 34 percent of the population was of color.

The Bay Area is also a fast-growing region, increasing from 3.3 to 4.3 million residents between 1980 and 2010. High overall population growth makes the region’s shifts in racial composition even more prominent.

Latinos and Asians are driving the region’s growth. As a key node in the broader Pacific Rim region, the Bay Area has a large and growing Asian population (among the largest 150 regions, only Honolulu and San Jose have larger shares of Asians). Latinos and Asians have both doubled their share of the population since 1980. People with mixed racial backgrounds also constitute a small but growing share of the population.

The region’s White and African American populations are both declining and are expected to continue to dwindle. Today, 42 percent of the population is White, compared with 66 percent in 1980. Over the same timeframe, the Black

The share of people of color is projected to increase through 2040
Racial/Ethnic Composition, 1980 to 2040



Sources: U.S. Census Bureau; Woods & Poole Economics, Inc.

population shrank from 12 percent to 8 percent.

While the declining share of the non-Hispanic White population mirrors nationwide trends, the decline of the region’s Black population is more unique, though fairly common in California’s large metros. Among the largest 150 regions, a dozen experienced a loss of Black residents between 2000 and 2010 even as their overall populations grew, and seven of them were in California. The Bay Area lost more than 37,500 Black residents, or 10 percent of its Black population. Alameda, the county with the largest Black population, lost about 27,000 Black residents (a 13 percent decline). San Francisco and San Mateo each lost a fifth of their Black populations. Contra Costa is the only county where the Black population grew (by 8 percent).

These shifts relate to another demographic trend in the region that has been explored in depth by the Brookings Institution and other researchers: increasing diversity as well as poverty in the suburbs. The region’s outer areas are experiencing faster growth in their non-White populations.⁴ Concord, Pittsburg, Antioch, Dublin, and Livermore have all experienced significant growth in their Latino and African American communities. At the same time, as young, upwardly-mobile workers – many in the booming tech sector – are drawn to the region, the cities of San Francisco and Oakland are seeing losses of their working-class communities of color as rents rise and wages do not keep pace.⁵

Another key demographic trend in the region relates to age: its youth population is much more diverse than the senior population. Seven in ten residents under age 18 (69 percent) are of color, compared with four in ten seniors over age 64 (42 percent). This 27 percentage-point racial generation gap is larger than the national average of 26 percent, and has steadily grown over the past several decades. This gap is an economic risk because regions with larger racial gaps between their young and old tend to make smaller investments in the educational systems that ensure youth can contribute to the region’s economic growth and vitality.⁶

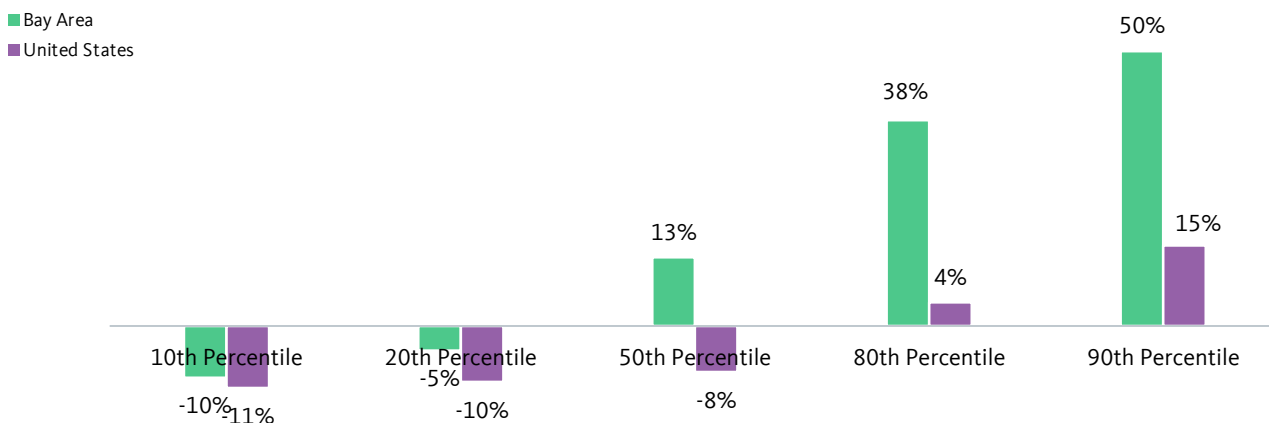
Inequities threaten the region’s long-term economic prosperity

As a whole, the Bay Area’s economy is strong and resilient: economic output is above average and growing, job growth is steady, and unemployment is relatively low (4.5 percent as of December 2014).⁷ But behind these overall positive indicators lurk some menacing challenges to long-term growth, prosperity, and competitiveness. Inequality is high and rising, wages are not keeping up with skyrocketing housing costs, and the region isn’t growing enough middle-wage jobs that provide pathways to economic security.

The region is also home to wide inequities by race and geography. Communities of color were hardest-hit by the recession and continue to face barriers to participating in the regional economy. Some of the key challenges include:

Wages grew only for middle-and high-wage workers and fell for low-wage workers

Real Earned Income Growth for Full-Time Wage and Salary Workers Ages 25-64, 1979 to 2008-2012



Source: IPUMS. Universe includes civilian non institutional full-time wage and salary workers ages 25 through 64.

Rising inequality and fewer middle-class pathways

The national trends of widening gaps between rich and poor and stunted economic mobility are magnified in the Bay Area: inequality is on the rise, the middle class is shrinking, and wages are declining for lower-income workers.

Income inequality is both high and rising. In 1979, the region ranked 45th out of the largest 150 regions in terms of income inequality according to the Gini coefficient.⁸ Today, it ranks 14th. Residents at the 95th percentile of the income distribution now earn more than 10 times the income of those at the 20th percentile (\$286,000 compared with \$27,400).

One of the factors driving inequality in the region is its changing economic structure: the region is losing its middle-wage jobs while it is growing low- and high-wage jobs. Between 1990 and 2012, the Bay Area experienced a 9 percent decline in middle-wage jobs in industries like manufacturing, wholesale trade, transportation and warehousing, and construction. During the same time period it gained low-wage jobs (33 percent increase) and high-wage jobs (26 percent increase). The loss of middle-wage jobs is problematic because these jobs have traditionally served as

the pathways by which residents without high levels of education, including many residents of color, have been able to achieve financial security and become a part of the middle class.

Another factor is the lack of wage growth in the Bay Area’s burgeoning low-wage sector. Workers at the bottom rungs of the economic ladder have seen their incomes decline over the past several decades, while workers in the upper rungs have seen strong earnings growth. Declining wages in the low-wage sector have a disproportionately negative impact on people of color because they are concentrated in low-wage jobs.

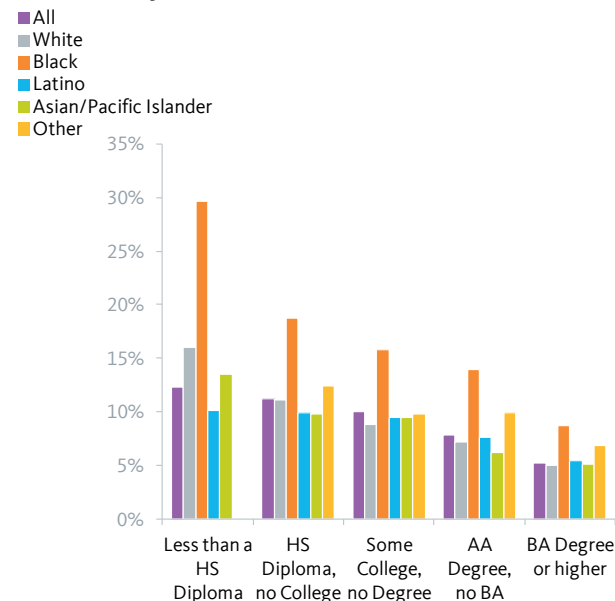
Racial economic inequities

Across a host of indicators including employment, wages, poverty, working poverty, and access to jobs in “high-opportunity” occupations, people of color fare worse in the Bay Area labor market than their White counterparts.

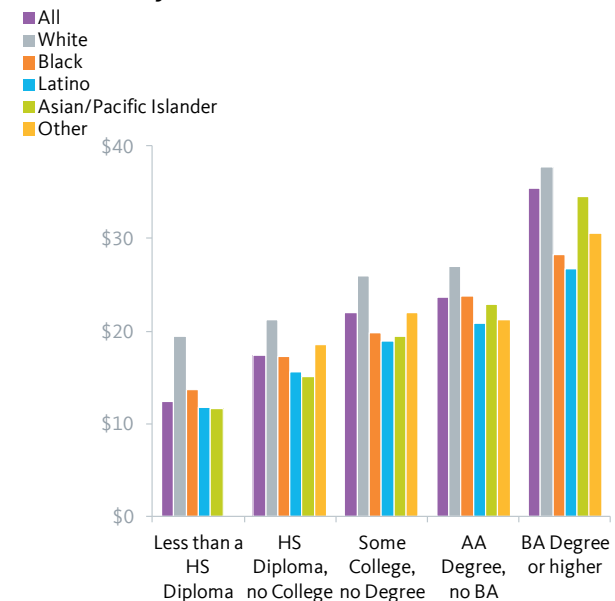
African American and Native American workers stand out for having particularly high rates of unemployment: they are about twice as likely to be unemployed as White workers. And while unemployment decreases for all racial and ethnic

People of color have higher unemployment and lower wages than whites at nearly every education level

Unemployment Rate by Educational Attainment and Race/Ethnicity, 2012



Median Hourly Wage by Educational Attainment and Race/Ethnicity, 2012



Source: IPUMS. Universe for education levels of workers includes all persons ages 25 through 64. Note: Data for 2012 represents a 2008 through 2012 average.

groups as education levels rise, African Americans and people with mixed and other racial backgrounds consistently face higher unemployment levels compared with their White counterparts.

Wage trends are similar: the region has a large and growing racial wage gap. Today, Whites earn \$11/hour more on average compared with workers of color (\$33 vs. \$22). The racial wage gap was \$5 in 1980 and \$8 in 2000. Wages tend to increase with education across the board, but racial gaps persist even among people with similar education levels. College-educated Blacks, Latinos, and people with mixed racial backgrounds in the Bay Area earn \$7 to \$11 less per hour than their White counterparts. The fact that racial economic gaps remain even after controlling for education reveals the persistence of racial barriers to economic opportunity – including overt discrimination as well as more subtle forms of exclusion that are embedded into institutions and systems.

Educational gaps among key segments of the workforce

A skilled workforce is central to economic competitiveness in today’s knowledge-driven economy, and this is particularly true for a high-tech center like the Bay Area. However, many of the fastest-growing segments of the workforce lack the education levels needed for the jobs of the future. According to the Georgetown Center for Education and the Workforce, 44 percent of the region’s jobs will require an Associate’s degree or higher in 2020. Today, only 38 percent of the region’s U.S.-born Latinos, 14 percent of Latino immigrants,

and 35 percent of Black working-age residents possess that level of education. While the region’s Asian immigrants as a whole do well on this indicator, some Asian sub-groups have much lower educational attainment, including Vietnamese (39 percent have an Associate’s degree or above), Cambodian (25 percent), and Laos (14 percent), who have much lower educational attainment than other Asian sub-groups.

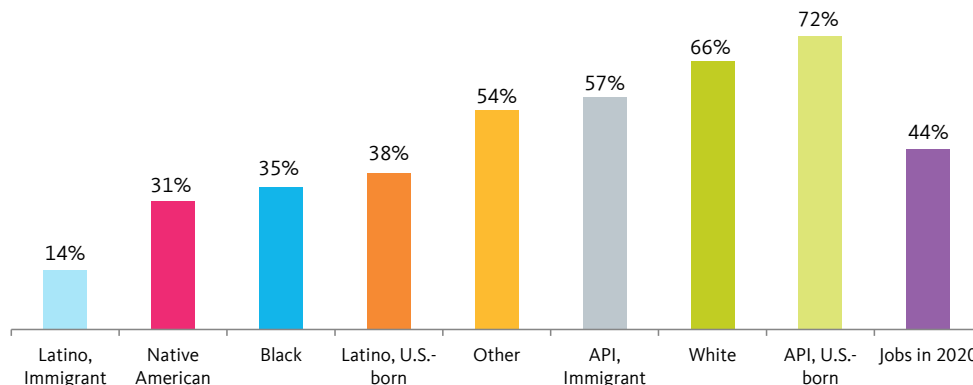
This achievement gap stems from educational challenges that begin much earlier. While more youth of all races and ethnicities are finishing high school, there are still wide inequities by race. One out of every three of the region’s Latino immigrants ages 16 to 24 lack this basic level of education, and Black and U.S.-born Latino youth are three times more likely to have dropped out of high school (or have been pushed out by harsh discipline policies) than White youth (7 percent compared to 2 percent, respectively).

Racial and economic inclusion would strengthen the economy

The Bay Area region’s rising inequality and its racial gaps in income, wages, education, and poverty are not only bad for communities of color, but they also hinder the whole region’s economic growth and prosperity. According to our analysis, if there were no racial disparities in income, the region’s GDP would have been \$117 billion higher in 2012. Unless racial gaps are closed, the costs of inequity will grow as the region continues to grow more diverse.

The region will face a skills gap unless education levels increase for Latinos, Native Americans, and Blacks

Share of Working-Age Population with an Associate’s Degree or Higher by Race/Ethnicity and Nativity, 2012 and Projected Share of Jobs in CA that Require an Associate’s Degree or Higher, 2020



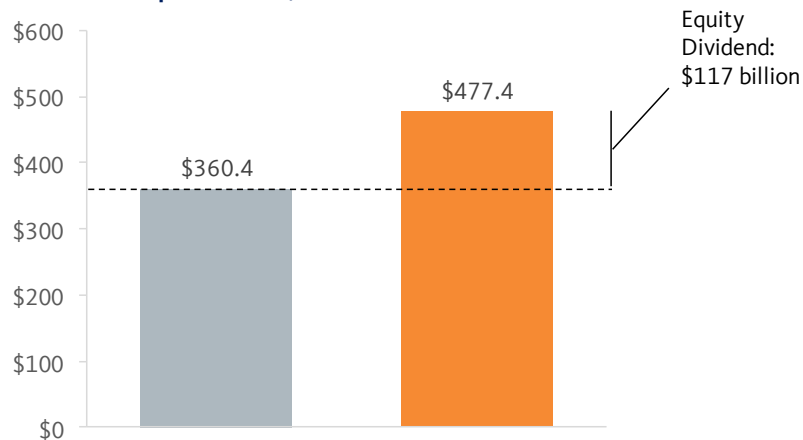
Source: Georgetown Center for Education and the Workforce; IPUMS. Universe for education levels of workers includes all persons ages 25 through 64. Note: Data for 2012 represents a 2008 through 2012 average.

Conclusion

The Bay Area’s growing, diverse population is a major economic asset that will continue to help the region compete in the global economy. But to fully tap into this asset, the region’s leaders need to take bold steps to build the next economy to provide many more opportunities and pathways for its communities of color and others at the lowest rungs of the economic ladder who are disconnected from the region’s booming economy. This means growing good jobs – by creating more middle-wage jobs and by lifting wages and job quality in the low-wage sector. It also means investing in people by equipping youth and workers with the skills, opportunities, and connections they need to manifest their talents and creativity. It means removing the barriers that thwart the region’s most vulnerable residents from participating in economic and political life. And it means ensuring every neighborhood throughout the region is a community of opportunity that provides the essential ingredients that people need to thrive, including affordable homes located near good schools and transportation options.

The Bay Area’s GDP would have been \$117 billion higher if there were no racial gaps in income

Actual GDP and Estimated GDP without Racial Gaps in Income, 2012



Source: Bureau of Economic Analysis; IPUMS. Note: Data for 2012 represents a 2008 through 2012 average.

Notes

¹ U.S. Department of Housing and Urban Development. Sustainable communities regional planning grants, http://portal.hud.gov/hudportal/HUD?src=/program_offices/economic_resilience/sustainable_communities_regional_planning_grants.

² Andrew G. Berg and Jonathan D. Ostry, *Inequality and Unsustainable Growth: Two Sides of the Same Coin?*, Staff Discussion Note (Washington, DC: International Monetary Fund, 2011) <http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>; Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, *Redistribution, Inequality, and Growth*, Staff Discussion Note (Washington, DC: International Monetary Fund, 2014) <http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>; Joe Maguire, *How Increasing Inequality is Dampening U.S. Economic Growth, and Possible Ways to Change the Tide* (New York, NY: Standard & Poor's Financial Services LLC, 2014) https://www.globalcreditportal.com/ratingsdirect/renderArticle.do?articleId=1351366&SctArtId=255732&from=CM&nsi_code=LIME&sourceObjectId=8741033&sourceRevid=1&fee_ind=N&exp_date=20240804-19:41:13; Manuel Pastor, *Cohesion and Competitiveness: Business Leadership for Regional Growth and Social Equity*, OECD Territorial Reviews, Competitive Cities in the Global Economy, Organisation For Economic Co-Operation And Development (OECD), 2006; Manuel Pastor and Chris Benner, "Been Down So Long: Weak-Market Cities and Regional Equity," in *Retooling for Growth: Building a 21st Century Economy in America's Older Industrial Areas* (New York, NY: American Assembly and Columbia University, 2008); Randall Eberts, George Erickcek, and Jack Kleinhenz, *Dashboard Indicators for the Northeast Ohio Economy*, prepared for the Fund for Our Economic Future (Cleveland, OH: Federal Reserve Bank of Cleveland, 2006), <http://www.clevelandfed.org/Research/workpaper/2006/wp06-05.pdf>.

³ Cedric Herring, "Does Diversity Pay?: Race, Gender, and the Business Case for Diversity," *American Sociological Review* 74 (2009): 208-22; Slater, Weigand and Zwirlein, "The Business Case for Commitment to Diversity," *Business Horizons* 51 (2008): 201-209.

⁴ Elizabeth Kneebone and Alan Berube, *Confronting Suburban Poverty in America*, (Washington, DC: The Brookings Institution, 2013), <http://confrontingsuburbanpoverty.org/the-book/>.

⁵ Our database does not include data on housing increases, but others have documented the region's high and increasing rents and home prices. Trulia's analysis showed that rents in San Francisco and Oakland are high and rising (between January 2013 and 2014, rents increased 12.3 percent in San Francisco and 4.4 percent in Oakland), <http://www.trulia.com/trends/2014/02/price-and-rent-monitors-jan-2014/>.

⁶ David N. Figlio and Deborah Fletcher, *Suburbanization, Demographic Change and the Consequences for School Finance*, Working Papers (Cambridge, MA: National Bureau of Economic Research, 2010), <http://www.nber.org/papers/w16137.pdf#page=1&zoom=auto,-265,792>.

⁷ "Local Area Unemployment Statistics," Bureau of Labor Statistics, <http://www.bls.gov/web/metro/laumtrk.htm>.

⁸ The Gini coefficient ranges from 0 to 1, with 0 representing a perfectly equal distribution of income and 1 representing perfect inequality with one person holding all of the income.

Photo credit: [Tassajara Road at 580](#) by Michael Patrick via Flickr / [CC BY](#)

Equity Profiles are products of a partnership between PolicyLink and PERE, the Program for Environmental and Regional Equity at the University of Southern California.

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