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Santa Rosa Press Democrat
Saturday, June 1, 2013

Income Inequality and Poverty Here at Home

by Tony White

Six years after the Great Recession began, many households in the North Bay continue to experience economic insecurity, compounded by stark racial and gender disparities. Despite record highs in the stock market and soaring corporate profits, the stagnation of wages and incomes and the rising cost of living have left most working families struggling to make ends meet.

Although Sonoma County has been blessed recently with decent paying jobs in construction, and the jobless rate has declined, many of the new or projected jobs are in the low-wage service sector, and many are part-time positions without benefits.

Mirroring national trends, the North Bay has become an hourglass economy, with an increase of highly paid, professional occupations at the top, a sharp decline in middle-income, semiskilled positions and a dramatic expansion of low-wage employment at the bottom.

Recently, the Living Wage Coalition and the North Bay Organizing Project released a report titled “The State of Working Sonoma 2013,” which analyzes the polarization of wealth and incomes, the plight of the working poor and the increasing economic hardship for county residents.

Based on the 2010 U.S. Census data, the report shows that one in 10 county residents lives below the federal poverty guidelines of \$22,050 for a family of four, and more than one in seven children live in poverty.

The federal government defines the “working poor” as a family of four with an annual income of less than \$44,100 and at least one member reporting income from work. The report indicates that 28 percent of the county residents fall below this level.

Adjusted for inflation, median household incomes declined 5.7 percent from 2007 to 2010, and individual incomes have dropped 4.5 percent countywide and 12 percent in Santa Rosa. For every dollar earned by a white male, African-Americans earn 61 cents, Latinos 69 cents and women, 79 cents.

When one considers that women are the primary or sole breadwinners in more families, these racial and gender income disparities are a contributing factor to rising family poverty.

The report demonstrates stunning levels of income inequality in the county. In 2010, 41 percent of households received less than \$50,000 in total annual income, while 12 percent received more than \$150,000. Three out of four Latinos lived in households receiving less than \$50,000 total annual income.

Faced with increasing costs for housing, food, transportation and health insurance, many Sonoma County families are finding it increasingly difficult to cover the basics.

More than half of the county households are paying 50 percent of their income for housing, when 30 percent is considered affordable. Even with jobs, many working people are eligible for food stamps and subsidized state and federal health care programs. One out of six workers does not have employer- provided health benefits, and health care premiums in the county have doubled since 2002.

Looking forward, the report indicates that more than half of the new jobs created between 2008 and 2018 will pay less than \$15 an hour, far below a living wage for Sonoma County.

Increasing income inequality and a decline in economic opportunity affect everyone: Together, they stifle

economic growth. How can we reverse this trend? First, when employee compensation rises, worker morale improves, absenteeism declines and productivity increases; both employer and employee benefit. Low- wage earners, out of necessity, spend their wage increases in the local economy, contributing to economic growth.

Second, when workers earn wages and incomes that make their housing costs affordable, they can live in the community in which they work, reducing the cost of transportation, car emissions and traffic congestion.

Third, children who grow up in families with wages and incomes sufficient to rise above working poverty, experience higher rates of educational achievement than those who do not. Broadly shared prosperity ensures the increasing skills and productivity of the next generation.

At the recent “People's Equity Summit” organized by the North Bay Organizing Project, UC Davis professor Chris Benner pointed out that regions with greater equity and racial inclusion experience faster and more balanced growth and are less impacted by national recessions.

By adopting a higher minimum wage indexed to inflation, allowing workers to organize, increasing funding for education, providing access to affordable housing and health care, and by creating good public- and private-sector jobs that provide career ladders and pay decent wages and benefits, we can reduce working poverty and lay the foundations for a healthy and sustainable local economy.

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