A Study of Income Equality
in the
Fresno County and the Metropolitan Statistical Area

Amy Chubb, MBA, Executive Director
Fresno Works for Better Health Advocacy Center
amy@onebyoneleadership.com
(559) 233-2000, ext. 101

Economic research and analysis conducted by
Dr. Antonio Avalos, Research Director
Center for Economic Research and Education of Central California
Department of Economics
California State University, Fresno
aavalos@csufresno.edu
(559) 278-8793

Research papers are posted on: http://www.csufresno.edu/cerecc/

Table of Contents

Acknowledgements....ii
Calculations....iii
Disclaimer....iv
List of Tables....v
Executive Summary....vi
Key Findings....viii
Recommendations....ix

Section I.
State and National Trends....1
The Role of Economic Mobility....4

Section II.
How Fresno is Faring....6
Projected Growth in Occupations....8
Income Growth and Inequality....10
Conclusion....15

Appendix
Citations....17

Acknowledgements

We are grateful to The California Endowment, which provides technical assistance and funding to Fresno Works for Better Health Advocacy Center.

The FWBH Advocacy Center's Board of Directors provides invaluable assistance in overall policies and in the direction of the center. The Board is comprised of:

- Keith Kelley, Board chair and president/CEO of the Fresno West Coalition for Economic Development
- Mike Zachry, CEO of One by One Leadership and now an active volunteer for the organization
- Lue N. Yang, director of the Fresno Center for New Americans
- Deborah Riordan, health consultant
- Margarita Rocha, director, Centro La Familia
- Gloria Rodriguez - West Fresno Community activist
- Chris Schneider, director, Central California Legal Services
- Allysunn Williams, associate executive director, Fresno County Economic Opportunities Commission

We thank Dr. Antonio Avalos, chair of the Economic Department and research director of the Center for Economic Research and Education of Central California. His work has been nothing short of extraordinary.

We extend a special thanks to Deborah Riordan and Janelle Schneider for editing this paper.

An Explanation to Readers Regarding Calculations

Data emanating from the Internal Revenue Service (IRS) and from the Census Bureau are not comparable. Analyses contained in this paper use Census data, because it is a more reliable source for capturing low incomes. In cases such as the widening of income inequality, much of the research conducted for this paper reaches the same conclusions, regardless of the source or the date.

For example, economists Emmanuel Saez and Thomas Piketty have tracked income data back to 1913 using data from the Internal Revenue Service (IRS) and deduced the growth in incomes of the top 1 percent of the country are increasing much faster than for 99 percent of the population. Other research organizations use data from the Congressional Budget Office, as in the case of the Center on Budget and Policy Priorities, and have reached the same conclusions.

Census data is distributed across five quintiles. According to Census calculations, Fresno County's wealthiest families have enjoyed the greatest income gains from 1996-2006, which follow state and national trends. Figures are not adjusted for inflation. The ratio derived from computing the top 1 percent and the bottom 5 percent, after adjusting for inflation, is the same as the ratio derived from calculations without adjustments. The reason is mathematical: Dividing both the numerator and denominator by the same number (in this case, a deflator of some sort) would leave the ratio unchanged.

Definitions of mean, median and average: The *mean* (or average) is the sum of all scores divided by the number of scores. For instance, the sum of individual ages of persons in a group divided by the number of persons in the group, gives the average age.

The *median* is the number in a range of scores that falls exactly in the middle so that 50 percent of the cases are above or below.

Source: GreenFacts

Disclaimer

Recommendations contained in this report do not reflect the opinions or any views held by Dr. Antonio Avalos, the Center for Economic Research and Education of Central California, the Department of Economics or those of California State University, Fresno.

The California Endowment

This research report is funded by The California Endowment, which generously provides financial and consulting resources to Fresno Works for Better Health Advocacy Center. This report does not represent any opinions, conclusions or recommendations by The California Endowment.

LIST OF TABLES

Table	Title	Page
Table 1	Low Wage Employment Share, Fresno MSA: 1986-2006 Constant Median Income (1982-1984=100)	6
Table 2	Income Distribution by Quintiles in Fresno, MSA: 2006	7
Table 3	Mean Income by Educational Attainment, Gender, Race in Fresno, MSA: 2006	7
Table 4	Mean Hourly Wage Rate by Union Membership, Fresno MSA: 1990-2007	8
Table 5	Top 10 Occupations with the Most Openings in Fresno MSA, 2004-2014	9
Table 6	Richest Families Had Greatest Income Gains Over Last Two Decades (2006-1996): Fresno, MSA	10
Table 7	Average Income Ratio: Top 1 percent / Bottom 5 percent - Fresno MSA vs. CA	11
Table 8	Income Inequality and Poverty in Fresno, MSA: Income Ratio of the 20 percent Richest to the 20 percent Poorest Families in Fresno	11
Table 9	Population, Public Assistance by Ethnicity	12
Table 10	Select Public Assistance Programs: Fresno, MSA vs. California 2006 Mean Annual Benefits	13
Table 11	Median Income as Percentage of Total Labor Force	14
Table 12	Measuring the Depth of Poverty Distribution of Income-to-Poverty Ratios (IPR): Fresno, MSA	14
Table 13	Number of Hours Worked per Week by Gender: Fresno MSA vs. California	15

Executive Summary

The purpose of this research paper is to document income inequality in Fresno County, its causes and consequences, and how income in the county fares against state and national trends. This paper describes why income inequality continues to grow, and provides a detailed economic analyses of Fresno County residents who are gaining wealth and those who are losing ground.

A Study of Income Inequality in Fresno County and the Fresno Metropolitan Statistical Area, which includes Fresno and Madera counties, provides ample statistical evidence of the harsh realization that income inequality is responsible for Fresno and Madera counties' poor getting poorer and the wealthiest continuing to make vast gains. Income inequality is defined as the distribution disparities of income and assets. At the time of this writing, Fresno County's jobless rate was 9.6 percent compared to California's 7.3 percent.

Why is income equality important? Income disparities are producing two distinct classes: the wealthy and the poor, far from the pluralistic society most American believe exist with hard work and initiative. The consequences of this economic segregation are significantly reduced educational and vocational opportunities for those in lower income groups. For example, "young Americans in the upper 20 percent of income levels are far more likely to complete four years of college," according to equity.org.

Wealth is the key to a college education, buying a house, the luxury of discretionary income, having adequate food and clothing, and paying for medical insurance. For the poor, money is the extent to which they are able to live on a day-to-day basis. The loss of a job or the onset of serious medical problems serves to crush poor individuals and families even further. The poor incur massive debts as fodder for credit card and payday industries.

But as a 2007 Ford Foundation Report, Opening Doors to the Economic Mainstream, noted: "Perhaps most important is walking this financial tightrope saps families' ability to think long term, prioritize and invest for the future," because their lives are always in crisis.

Maria Romero knows poverty well. Now the principal of the Fresno Adult School, she lived in labor camps, and later, in housing projects. Her dad, a janitor, wanted her to become a secretary, but she wanted more. Her proudest moment was receiving the letter from Fowler Unified School District welcoming her to her first teaching job at Fowler High School.

Romero has a big job. The school offers dozens of career tracks, high school diplomas and General Education Diplomas (GEDs), and operates 89 locations throughout Fresno County. Students attending the Cesar Chavez Adult Education Center, Romero said, "have clean clothes and food, most of the time, and are making ends meet. Cars in families are used by whoever is working; many students take the bus and do not eat during the day to save money to take the bus back home," she said.

But a different level of poverty exists in Fresno. Ninety-nine percent of the students attending Cesar Chavez are poor, but "as poor as they are and as bleak as their picture is, they are not the poorest of the poor," she said.

She visited encampments in Selma and Fowler, where people live in shacks. "They are so illiterate and so poor," she said. Children do attend schools but always smell of smoke because of cooking. Families and children use a hose for showering. "They don't envision themselves capable of learning and certainly not having access to middle class. The money that they have needs to go for food and rent. The things which we take for granted and that even lower income families have, to some extent, are not readily accessible to the very poorest in our county."

The living conditions and the struggle among the very poor, she said, are “hard for us to conceive,” just as attending adult school is out of reach for the poorest in communities who simply cannot comprehend attending school, Romero said.

“In that reality, you can’t conceive of what is not real to you.”

By any standard, education is the single, most important factor in reducing poverty levels. The value of an education is powerful. It creates economic mobility through receiving a GED or high school diploma and going on to attain an associate degree, or vocational training in high-growth, high-wage occupations.

Hundreds of people in poverty have the will to boot-strap themselves out of poverty by getting an education. But thousands more lack adequate clothing, transportation and the self-esteem to envision the endless opportunities available by going back to school. This overwhelming and consistent lack of self-esteem, with no support from home, makes getting an education that much more difficult.

Although opportunities abound among high-wage occupations, most require undergraduate and advanced degrees. Among those 25 and older, only 19 percent of Fresno County residents have obtained a bachelor’s degree or higher, compared to 25 percent in the United States. The 2006 American Community Survey reports 24 percent of Fresno County residents 25 and older have a high-school diploma, compared to 84 percent nationwide.

In many cases, residents are unable to fill high-wage positions because of a lack of education and skills development, despite numerous educational resources, such as the Cesar Chavez Adult School and the Career Advancement Center. The latter is offered through State Center Community College District. Many people in poverty, however, are unaware of available resources, or face other obstacles, such as transportation, adequate clothing, or support to overcome low self-esteem.

The good news is that cluster-based economic development and value-based competitiveness are replacing Fresno County’s long-standing “cheap land, cheap labor” policies to attract new businesses, creating entrepreneurs, providing much-needed assistance to existing companies and introducing new sources of capital. The county, however, is just touching the tip of the iceberg in these areas. According to the Innovation Economy Report, “Value-based competitiveness has important implications for regional investments in economic assets. To sustain this type of [sustainable economic development], regions need value-based economic development assets such as:

- A highly skilled work force;
- Research and development capacity;
- Technology commercialization infrastructure and know-how;
- Investment capital; and
- A culture of innovation and entrepreneurship.”

Key Findings in Fresno County

- In 2006, the richest 20 percent of families had average incomes 7.46 times as large as the poorest 20 percent of families. The ratio was 5.06 in 1980.

- Income inequality has increased for the last two decades for all ethnic groups, particularly among the Black population. The richest 20 percent of Black families had average incomes 10.3 times as large as the poorest 20 percent of Black families in 2006.

- Both Fresno and California experienced a modest decline in income inequality in 1990; however, this indicator increased in 2006 to reach higher levels than in 1980.

- White males and females tend to earn higher mean incomes than their counterparts of other races by an average of more than 18 percent across all education levels.

- Males tend to earn higher mean incomes than females by an average of more than 21 percent across all education levels.

- The Census Bureau reports the total number of jobs in Fresno that pay less than $14 per hour amounted to 114,580 employees, representing 35 percent of the total number of jobs. This contrasts with the same indicator of 23.5 percent for California.

- In 2006, the average mean hourly wage in Fresno was $18.28, while the mean average wage for California was $21.78.

- For the last 20 years, full–time, employed workers in Fresno County whose income was below the median income as a percentage of the total labor force averaged more than 65 percent. The same indicator for California is 50.7 percent.

From 1980 through 2006 in the Fresno MSA:

- The average income of the poorest quintile of families increased by $5,765, from $12,010 to $17,775, which totals 48 percent over 26 years, a 1.85 percent increase per year.

- The average income of the middle quintile of families increased by $10,788, from $21,741 to $32,529, totaling 49.62 percent over 26 years or 1.91 percent per year.

- The average income of the richest quintile of families increased by $44,115, from $50,700 to $94,815, totaling 87 percent over 26 years or 3.35 percent per year.

- The average income of the richest 5 percent families increased by $57,865 from $93,000 to $150, 865, which totals 62 percent over 26 years, or 2.38 percent per year.

- The average income of the richest 1 percent families increased by $283,165 from $102,327 to $385,492, equivalent to a 276 percent increase (not shown in chart).

Recommendations by Fresno Works for Better Health Advocacy Center

1. Advocate on behalf of low-income areas to encourage investment, social inclusion, education and economic growth. Education should be on the lips of every elected official and policy maker. Increase the number of students receiving a high-school diploma or equivalent and encourage more residents to earn an associate's degree or a university undergraduate degree. This can be accomplished by augmenting academic and social support services available to low-income students who are struggling in adult schools, college or postsecondary programs.

2. Invest in entrepreneurship and business incubators in low-income areas and provide a strategy for helping small businesses grow in low-income neighborhoods.

3. Empower low-income residents to develop a strategic legislative agenda and have the ear of policy makers, legislators and the community to end racially/ethnically based disparities.

4. Adopt a mandatory inclusionary zoning (IZ) policy. According to PolicyLink, IZ can be voluntary, driven by financial incentives to developers, or mandatory. More than 107 jurisdictions in California have already adopted IZ; 100 of those are mandatory. "Generally, IZ policies have been most effective in areas that are experiencing growth, since affordable units are only generated if private residential development is occurring in the community," PolicyLink reported.

5. Empower neighborhoods to design strategic initiatives around what they see as the most serious obstacles their neighborhoods face and develop ways to address challenges. Promote self-esteem of low-income residents and increase awareness of a culture that values work, enthusiasm, honesty and accountability.

6. Expand outreach for the federal Earned Income Tax Credit (EITC) to provide more relief to individuals living in poverty. The EITC is credited with lifting more people out of poverty than any other single federal program, but the benefit is far more substantial if one is married with children, which leaves single individuals receiving less than a $250 credit. While the City of Fresno doubled the budget for Central California Legal Services to conduct 2009 outreach, $75,000 pales in comparison to what most large metro areas invest. The EITC also provides substantial revenues to the City.

7. Create pilot cities in California – those with the highest concentrations of poverty – for a state expansion piggybacking on the federal EITC. The state will respond that it is already cutting programs, mostly to the poor, working poor and elderly. Twenty-eight states now have a piggyback EITC, and California, in particular, with its huge numbers of poor, cannot afford to ignore income inequalities.

8. Decentralize large agencies and place outlets in low-income neighborhoods where residents can easily access resources. Enact policies to reduce administrative costs among organizations with like-minded missions hat are conducting similar works through consolidation.

9. Encourage mainstream banks and credit unions to have a presence in low-income neighborhoods. This will also have a direct impact on the overuse of payday lenders and check-cashing organizations by residents who lack access to financial institutions.

10. Change procurement practices to allow women- and minority-owned small businesses to compete for contracts.

11. Adopt a first-source hiring agreement at the city, county, state and federal projects, which place a clause that contractors hire 25 percent of a low-income, job-ready workforce. Such a workforce emanating from community-based organizations providing job training must be required to meet eligible job readiness and be able to pass a drug test.

Section I. State and National Trends

"The poverty rate remained higher, median income for working-age households remained lower, and the number and percentage of Americans without health insurance remained much greater than in 2001, when the last recession hit bottom," said a report on the new Census figures released in late August 2008.[1]

Thus began a policy statement by the Center on Budget and Policy Priorities report on 2007 statistics (released by the Census in August 2008). The upward climb of poverty points to another, equally disturbing trend: that of income inequality, or the distribution of income. Research emanating from the Congressional Budget Office, The Brookings Institution, the California Budget Project and the Center for Budget and Policy Priorities, among a host of other organizations, agree the widening of income inequality nationwide is a grave issue requiring intervention.

Income equality is defined as the extent to which incomes become closer together, as they did between World War II until the early 1970s, and again in the 1990s until 2001, or grow farther apart, as they have overall since 1976.

Income inequality overwhelmingly shows wealth concentrated in the hands of a few requires attention by policy makers and the community as a whole. Statewide and nationally, income inequality is an emerging subject of increasing public scrutiny, although it is not a new research topic. Income inequality is demonstrated by the ever-growing numbers of people in poverty, the failure to make ends meet among those who are working, particularly the middle class, and the chronic issue over access to health care, all systemic failures that have remained unaddressed.

Income inequality raises the question of whether the legacy of The American Dream is indeed attainable. In the public eye, The American Dream is built on hard work and initiative, which results in climbing the economic ladder through gains in wealth and education. The rungs making up that same economic ladder, however, are growing steeper as more people in Fresno County, statewide and nationally, find themselves unable to realize their hopes and dreams. For communities of color, the American Dream is marginalized due to discrimination and a lack of educational and job-training opportunities eluding minority residents.

Myriad definitions are used to define low-wage workers (the working poor), but for the purposes of this paper, it is defined as "any job that pays substantially less than the job held by a typical male worker," who routinely earn more than women or communities of color. "The median wage for men in the United States in 2006 was $16.66 an hour; jobs paying less than two-thirds of the median wage for men paid $11.11 or less per hour. Some 44 million workers—about one out of every three—held low-wage jobs paying much less than the rest of us are paid." [2]

Americans have every reason to be pessimistic about the economy. The collapse of financial markets and institutions, such as Bear Stearns, Freddie Mac, Fannie Mae, AIG, and Lehman Bros., and a $700 billion bailout package continue to take a toll on taxpayers. In addition, taxpayers are now in the business of paying for such bailouts even as expenses for gas, groceries and doing business continue to increase. Incomes for most Americans, but certainly not all Americans, have slowed to a crawl.

Economists Emmanuel Saez and Thomas Piketty have been able to track the growth and decline of incomes since 1913 using Internal Revenue Service data. Since the 1970s, Saez wrote, the very top earners have been able to secure a disproportionate share of wealth as a result of productivity gains, and those gains have continued to widen since 2001. Much has changed since the 1930s New Deal era as the federal government has slowed or completely dislodged the institutional support that Saez cited as "progressive tax policies, powerful unions, corporate provision of health and retirement benefits, and changing social norms regarding pay inequality." [3]

"We need to decide as a society whether this increase in income inequality is efficient and acceptable and, if not, what mix of institutional reforms should be developed to counter it," Saez wrote.

What causes income inequality? The growth of income inequality is primarily due to increases in wage inequality, reported a joint report by the Center for Budget and Policy Priorities and the Economic Policy Institute. "Wages at the bottom and middle of the wage scale have been stagnant or have grown only modestly for much of the last two decades. The wages of the very highest-paid employees, however, have grown significantly." Tax cuts for the wealthy have also increased the gap.[4]

Other factors from a state-by-state analysis of income trends describe Fresno County's predicament, without specific reference to the county: lengthy periods of unemployment; fewer higher-paying manufacturing jobs; the proliferation of low-paying jobs; unskilled, uneducated workers; and high immigration rates. All contribute to "the lower real value of the minimum wage and fewer and weaker unions," the report said. Ironically, manufacturing jobs in Fresno County have boomed in comparison with the rest of the state. Such jobs, however, cannot be considered high paying.[5]

Until the 1970s, wage gains kept pace with productivity and incomes on the whole grew at about the same rate. By the 1990s, the growth between the top fifth of incomes and the bottom fifth started to widen. Fortunes changed for the wealthy in 2001, while the income gap deepened because the post-2001 economic recovery was significantly weaker than the recovery from the Great Depression.

Most research shows income inequality is the result of changing technology, competition from low-wage countries, increased immigration, declines in the real minimum wage, fatherless families and declines in unionism.

Income distribution overall also show a "life-cycle" pattern, meaning incomes peak during middle age and decline as the population grows older. An increasing and troubling trend is that incomes of White families are consistently higher than other minority groups. Statistics bear out the value of entrepreneurship: both mean and median incomes among those who are self-employed are higher than any other group. Homeowners also have higher incomes as do those with greater net worth. [6]

Concern among the American public about income inequality is a fairly recent phenomenon. During prosperous times, people do not worry about income inequalities, because overall, the bills are getting paid and discretionary income improves. Although the economy is still growing, albeit slowly, Americans are taking a more dismal view of the economy, but that rationale is fairly uncomplicated.

"First, the post 2001 period was the weakest of all economic expansions since World War II by almost every economic measure. Second, to an unprecedented degree, the gains from income growth after 2001 accrued to the narrow slice of the population at the top of the income distribution," said Dr. Robert Greenstein, in testimony before a Senate subcommittee. Greenstein is also executive director of the Center on Budget and Policy Priorities. Corporate profits are soaring, he remarked.[7]

Greenstein noted the term "almost" did not include excessive wages captured by the country's chief executive officers, an issue under Congressional scrutiny at the time of this writing. According to equity.org, "CEOs of large U.S. companies last year made as much money from just one day on the job as average workers made over the entire year. These top executives averaged $10.8 million in total compensation, over 364 times the pay of the average American worker." In fact, "a top hedge fund or private equity fund manager now earns more in 10 minutes than the average American worker earns in a year."

Economists have universally agreed upon what Greenstein reiterated: Based on data from the Congressional Budget Office, "… income in the bottom fifth of the population was only 6 percent — or $900 — higher in 2005 than it was twenty-six years earlier in 1979, and income in the middle fifth of the population was 21 percent — or $8,700 — higher. In contrast, income in the top fifth of the distribution rose 80 percent — or $76,500 per household — from 1979 to 2005, and income in the top 1 percent more than tripled, rising 228 percent — or $745,100 per household."[8]

By any measure, the distribution of wealth is lopsided. On a national level, researchers agree the top 1 percent of households in the United States have made significant gains, while the remaining 99 percent of the population remain virtually stagnant. "Average pre-tax incomes in 2006 jumped by about $60,000 (5.8 percent) for the top 1 percent of households, but just $430 (1.4 percent) for the bottom 90 percent, after adjusting for inflation," according to Piketty and Saez. [9]

Compare this to the 1970 Piketty and Saez report noting that the top .01 of taxpayers earned 70 times as much as the average taxpayer. By 1998, the figure among the top .01 rose to 3 percent, which means "the 13,000 richest families in America had almost as much income as the 20 million poorest households; those 13,000 families had incomes 300 times that of average families," reported New York Times columnist, Princeton professor and recent Nobel Laureate Paul Krugman in 2002.

Krugman added, "The concentration of income at the top is a key reason that the United States, for all its economic achievements, has more poverty and lower life expectancy than any other major advanced nation. Above all, the growing concentration of wealth has reshaped our political system: it is at the root both of a general shift to the right and of an extreme polarization of our politics." [10]

Between 2001 and 2004, the latest figures available, the Federal Reserve Board's Survey of Consumer Finances reported overall median incomes (midpoint separating the top 50 percent from the bottom 50 percent) declined by 6.2 percent and a 3.6 percent decline in the mean, or average wages, the biggest portion of a family's income.

The Role of Economic Mobility

Economic mobility describes the movement of families from one economic class to a higher economic class, either generationally or inter-generationally. Simply stated, *absolute* mobility means that your standard of living is better off than your parents, and your children will be better off economically than you. *Relative* mobility means that if your family is poor, you have a good chance of moving up the relative income ladder.

"The two have very little to do with each other. You can have an economy with a lot of absolute mobility, and little relative mobility. Or an economy with a lot of relative mobility, and little absolute mobility," explains Michael Mandel, in a posting to Business Week in May 2006.

The Economic Mobility Project, an initiative of the Pew Charitable Trusts, supports the dismal conclusions being reached by many economists: until the recent collapse of the financial markets, Americans had seen rapid economic growth and with little effect on economic mobility. "Over the last generation … economic growth has slowed without evidence of an offsetting increase in relative mobility. Although family's income doubled between 1947 and 1973, since 1973, median family income has slowed, increasing by about 20 percent," the report said.

Wealth transferred from one generation to the next "explains a substantial fraction of wealth holdings in the United States, according to author Nathan Grawe in *Wealth and Economic Mobility*. "Economists now believe intergenerational wealth transfers explain a substantial fraction of wealth holdings in the United States." Such transference also allows more children of wealthy families to become entrepreneurs, given wealth will negate the need for start-up credit.[11]

In the report, Grawe drew the following conclusions regarding economic mobility:

- The education of a parent has a close connection to improved educational outcomes of the child. Fresno Unified School District has 80.7 percent of the district's students on free lunches, a definitive measure of poverty. In contrast, Clovis Unified has 28.9 percent of students on free lunches. Given that 47 percent of Fresno County residents do not have a high-school diploma, the opportunity to climb the economic ladder does not bode well for their children

  The Grawe report prepared for The Urban Institute said most research studies find that quality improvements in schools, such as lower class sizes, "raise earnings supporting absolute mobility. Moreover, many studies find the effects are greatest among children in low-income families, suggesting greater relative mobility as well," although researchers vigorously disagree on the latter clause.[12]

- Whether students attend college may or may not be due to financial resources and, as discussed later in this narrative, will not have the economic impact for communities of color as higher education has for Whites.

- The value of high-quality pre-school cannot be overstated. The most effective programs are also the most expensive; however, most of these interventions are untested for effectiveness on a large scale. Federally subsidized programs such as Head Start have report large impacts.

Despite economic growth, income inequality continues to increase, Grawe reported. "As a result, an individual family's fortunes have become more dependent on the opportunity to compete with other families for the economy's rewards," the report said. Further, federal income taxes paid by middle-income wage earners have not changed for 40 years, but income taxes have fallen by nearly half for top wage earners."

In the same series of reports, Kronstadt and Favreault, authors of Families and Economic Mobility, concluded:[11]

- Internal qualities of leadership, conscientiousness and attitude among children "explain a significant share of the variation in earnings and occupational status," but little is understood what, if any role, parents fulfill in transmitting those values.

- The literature suggests that the effects of family structure on child outcomes are small to moderate. They are larger for things like children's future family formation and smaller for things like educational attainment.

- Research offer mixed reviews on whether or if the family structure in terms of a healthy marriage improves parenting and, as a result, child outcomes.

- "Given that the association between stable, two-parent families and positive child outcomes is due in part to selection (parents with higher socioeconomic status tend to marry each other) and that genetics play a role in determining child outcomes," although causal effects are difficult to sort out, the report said. (See citation 11)

Nathan Grawe is cited in this document as the author of Wealth and Economic Mobility, and is quoted directly, which was a misattribution. The Economic Mobility Project is a series of reports issued by The Pew Charitable Trusts. All the reports had several co-authors. We regret the error.

- *Amy Chubb*

Fresno Works for Better Health Advocacy Center

April 2009

Section II. How Fresno is Faring

Fresno County's income inequality historically has its roots in racial/ethnic make-up and social class, both inextricably tied to the region, which continues to draws massive numbers of new immigrants hoping for a better life. "Valley farming is truly agribusiness, the domain of vast colorations, and it has required legions of migrant laborers for seasonal labor …. Paternalism bordering on plantation mentality also developed locally. Social classes are poorly hidden in agricultural towns. At the top are non-resident rich who also control vast tracts of land or related industries."[15]

By nearly every economic indicator, the county is mired in a low-wage economy and a large pool of unskilled, uneducated residents, which equals a high poverty rate. Fresno has become well-known nationwide for its high concentrations of urban poverty; however, rural poverty among the smaller towns surrounding the metro area are much worse. Income disparities in this study would likely be smaller if it simply included the City of Fresno, instead of Fresno and Madera counties.

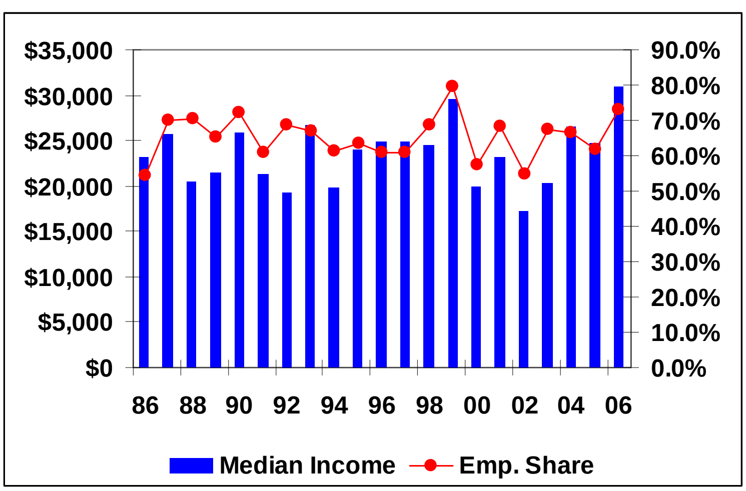
Rural areas depend largely on the graces of the agricultural industry. The majority of residents works seasonally and survives much of the year on unemployment benefits.

Ironically, California's jobless rate is 7.7 percent at this writing, which was slightly lower than the city of Fresno's lowest rate in 2006, when the jobless rate dropped to 8 percent, thanks largely to a residential construction boom. September's jobless rate for Fresno County was 9.6 percent.

Per-capita income in Fresno County is $27,081; median family income (in which more than one member of the family is working) was $47,732, according to the 2006 American Community Survey.

While the Economic Development Corporation serving Fresno County, for example, has seen substantial growth in manufacturing, logistics and distribution, in 2006 (the most recent figures available), the total number of jobs in Fresno paying less than $14 per hour represents 35 percent of the total number of jobs in Fresno County. Earning $14 an hour, for a gross yearly paycheck of $10,520, were 114,580 employees. As seen in Table 1, these figures are in sharp contrast with the same indicator of 23.5 percent for California. The average mean hourly wage in Fresno was $18.28, while California's was $21.78**.**

Table 1. **Low Wage Employment Share, Fresno MSA: 1986-2006**
Constant Median Income (1982-1984=100)

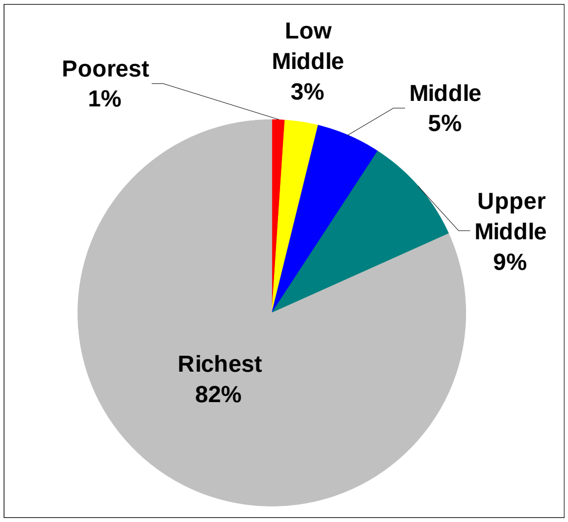


Source: U.S. Census Bureau, Current Population Survey (CPS)

For the last 20 years, full-time employed Fresno MSA workers with wages below the median income averaged more than 65 percent of the total labor force. The same indicator for California is 50.7 percent.

In 2006 the richest 20 percent of families earned 82 percent of the total household income in the Fresno MSA, but the poorest 20 percent of families earned on1y 1 percent (Table 2).

Table 2: Income Distribution by Quintiles in Fresno, MSA: 2006



Source: U.S. Census Bureau

Table 3. Mean Income by Educational Attainment, Gender, Race in Fresno, MSA: 2006

	MALES			
	White	**Black**	**Asian**	**Hispanics**
High School Graduate	$31,132	$26,127	$24,300	$24,172
Some College, no degree	$39,153	$21,077	$25,094	$36,812
Associate Degree	$46,981	$41,389	$35,031	$37,299
Bachelors Degree	$63,003	$58,735	$45,072	$52,204
Masters Degree	$65,339	$75,307	$72,040	$52,008
	FEMALES			
	White	**Black**	**Asian**	**Hispanics**
High School Graduate	$25,156	$18,098	$14,139	$38,473
Some College, no degree	$23,201	$18,489	$16,063	$31,553
Associate Degree	$26,368	$21,526	$20,355	$23,784
Bachelors Degree	$41,672	$66,000	$36,540	$37,681
Masters Degree	$60,339	$63,384	$39,355	$62,676

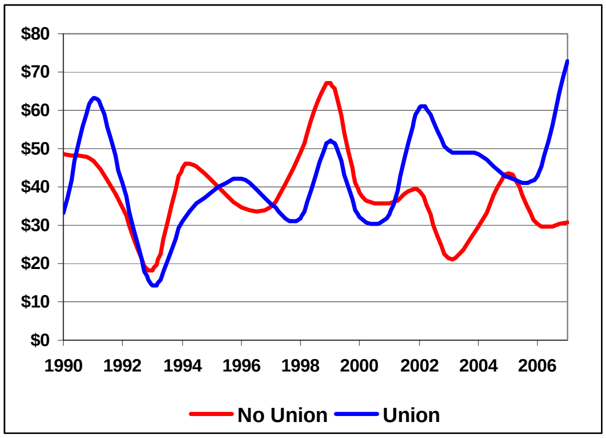
Source: U.S. Census Bureau

Table 3 shows that a White male with a bachelor's degree will earn significantly more than Black, Asians or Hispanic males with the same educational levels, excluding master's degrees among Blacks and Hispanics. The Asian population, even with the same educational levels, will earn significantly less, excluding those with master's degrees, and outpace Whites. Hispanic males with a master's degree earn significantly less than their White, Asian and Black counterparts.

Females earn less than males, despite educational attainment or ethnicity. An Asian female with a master's degree will earn nearly 45 percent less than an Asian male with the same education. A Hispanic female with a high school diploma will earn a higher yearly income; however, White women outpace their counterparts by wide margins across every other female ethnic group. Females, regardless of education levels, do not earn near what their male counterparts do. Asian women earn the lowest annual income, even with an advanced degree.

Union positions, however, buck the income disparity trend. Union apprenticeships are much sought after and with good reason: From 1990-2007, hourly wage rates of union members were 11 percent higher than those of non-union workers (Table 4).

Table. 4. Mean Hourly Wage Rate by Union Membership, Fresno MSA: 1990-2007



Source: U.S. Census Bureau, Current Population Survey (CPS)

Projected Growth in Occupations

Projected occupations through 2014 with the fastest job growth, according to the California Economic Development Department (EDD), include network systems and data communication analysts, post-secondary psychology teachers, home health aides, mechanical engineers and post-secondary law teachers.

In August 2008, the EDD reported the top high-wage occupations, based on hourly mean, include lawyers ($59.28), pharmacists ($55.75), financial analysts ($54.21), sales managers ($48.72), and general and operation managers ($30.40).

The Top 10 occupations with the greatest number of jobs projected between 2004 and 2014 by the EDD are primarily low-wage positions, requiring short-term on-the-job training, with the exception of registered nurses, as seen in Table 5.

Table 5: Top 10 Occupations with the Most Openings in Fresno MSA, 2004-2014

Occupational Title	Job Openings	Median Hourly Wage
Farm workers and Laborers, Crop, Nursery, and Greenhouse	8,340	$7.99
Retail Salespersons	4,970	$9.45
Cashiers	4,320	$8.44
Combined Food Preparation and Serving Workers, Including Fast Food	3,720	$8.13
Waiters and Waitresses	3,070	$7.94
Teacher Assistants	2,590	*
Registered Nurses	2,580	$33.79
Carpenters	2,430	$15.55

*Not considered a full-time position. Source: California Employment Development Department

Based on EDD's projections, two separate but related forces are shaping Fresno's jobs market:[16]

- High-wage positions are projected to grow the fastest through 2014. High-wage jobs are rising more rapidly, and are not being filled by local workers, but rather, by more qualified workers moving from other counties, states or even other countries.

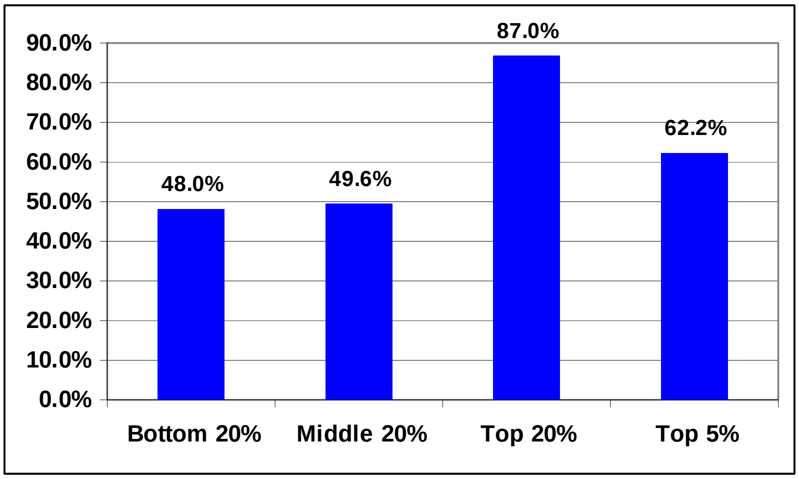
- A considerable number of new jobs will be low-wage positions. Among 46.7 percent of the jobs projected to be added require short to moderate on-the-job training, such as sales and cashiers. Typically, those are the jobs filled by local workers.

While more young people are attending college, more are also dropping out of high school. Author James Heckman points out that "Trends in the production of skills from American high schools coupled with a growing influx of unskilled immigrants have produced an increasing proportion of low-skilled workers in the U.S. workforce. More than 20 percent of American workers cannot understand the instructions written in a medical prescription. A further consequence of the skills problem is a slowdown in growth of productivity of the workforce."[13]

Income Growth and Inequality

More astonishing revelations demonstrate the chasm between rich and poor in the Fresno MSA (Table 6). From 1986-2006, the biggest gains occurred among the wealthiest families, which realized increases of $283,165, while the poorest fifth witnessed much less in terms of increased income (slightly more than $5,000).

Table 6: Richest Families Had Greatest Income Gains Over Last Two Decades (2006-1996): Fresno, MSA



Source: Current Population Survey (CPS)

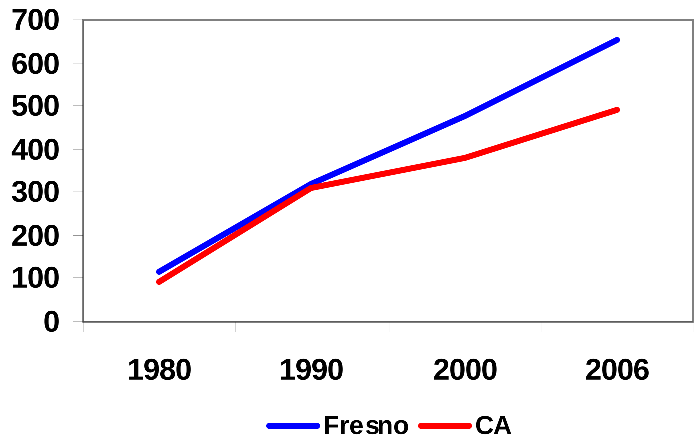
From 1980 through 2006 in the Fresno MSA:

- The average income of the poorest quintile of families increased by $5,765, from $12,010 to $17,775, which totals 48 percent over 26 years, a 1.85 percent increase per year.
- The average income of the middle quintile of families increased by $10,788, from $21,741 to $32,529, totaling 49.62 percent over 26 years or 1.91 percent per year.
- The average income of the richest quintile of families increased by $44,115, from $50,700 to $94,815, totaling 87 percent over 26 years or 3.35 percent per year.
- The average income of the richest 5 percent families increased by $57,865 from $93,000 to $150, 865, which totals 62 percent over 26 years, or 2.38 percent per year.
- The average income of the richest 1 percent families increased by $283,165 from $102,327 to $385,492, equivalent to a 276 percent increase (not shown in chart).

As seen in Table 7, the uneven distribution of income has clearly shown an upward trend for the last 26 years. While the ratio of the top 1 percent of the income distribution compared to the bottom 5 percent was 114.5 in 1980 in Fresno County, it reached 654.1 in 2006. The income gap for Fresno County widened dramatically starting in 1990, although California did not experience the same gaping level of income disparities.

In 2006, the richest 20 percent of families had average incomes 7.46 times as large as the poorest 20 percent of families. This ratio was 5.06 in 1980.

Table 7: Average Income Ratio: Top 1 percent / Bottom 5 percent - Fresno MSA vs. CA



Source: U.S. Census Bureau, American Community Survey (ACS)

Table 8. Income Inequality and Poverty in Fresno, MSA:
Income Ratio of the 20 percent Richest to the 20 percent Poorest Families in Fresno, MSA

	1980	1990	2006
Fresno	5.06	4.75	7.46
California	4.97	4.63	6.58
White	3.54	3.74	4.27
Black	4.63	4.95	10.3
Asian	4.48	3.08	3.68
Hispanics	3.31	3.77	4.05

Source: U.S. Census Bureau

Evidence presented in Table 8 shows Fresno County's rate of poverty and income inequality grew at a much faster pace than California, particularly among the county's Hispanic, Southeast Asian and Black communities.

One's racial/ethnic background plays a tremendous role in poverty and income inequality. For example, the 2007 American Community Survey reports that 17.1 of those reported to be "Whites Only" in Fresno County live at or below poverty thresholds. By comparison, 33 percent of Blacks, 19.8 percent of Asians and 26 percent of Hispanics live below poverty. Of "some other race," defined as two or more races, 27.1 percent live in poverty.

Table 9: Population, Public Assistance by Ethnicity

Fresno County Population by Ethnicity	**% of Total Population**	**All Public Assistance by Ethnicity 2004-05**
Hispanic	50 percent	68 percent
White	33 percent	13 percent
Southeast Asian	8 percent	9 percent
Black	6 percent	7 percent
Other (two or more races)	3 percent	3 percent

Source: 2006 Community Profile, Fresno County Employment and Temporary Assistance

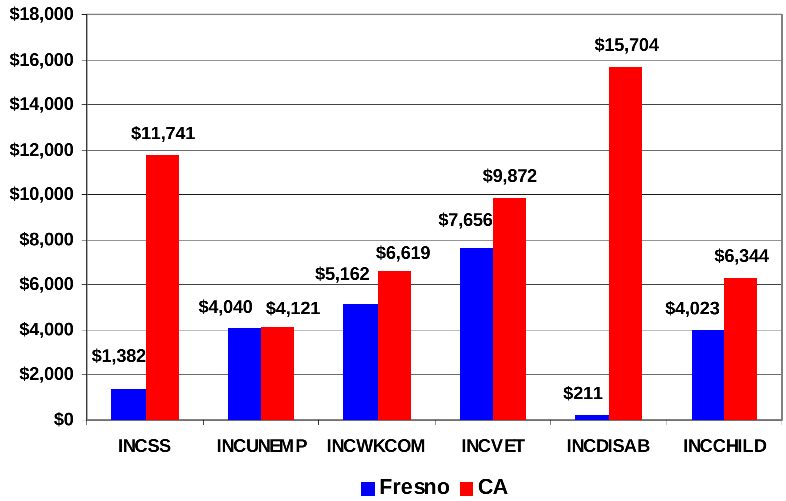
Communities of color, particularly women, may opt for low-paying jobs; however, Fresno's challenges may be the result of a combination of attitudes among the general public and "institutional racism," a term created by activist Stokely Carmichael, who, like the Rev. Martin Luther King, believed such racism is defined by a social caste system and requires "societal transformation."

Economic divisions cut across racial lines and are pervasive in Fresno, which is not unique for a large metropolitan area, but also not justifiable. Social, political and economic disparities experienced by minority residents cannot be explained away simply by arguing an inability to overcome disadvantages. Income inequality is a part of the problem, say the authors of Searching for the Uncommon Common Ground, who maintain that income inequality, on the rise in the country as a whole, is especially acute within the African-American and Latino populations.

Twenty-nine percent of children in Fresno County suffer silently in poverty. In 2006, Fresno ranked 11th of 300 MSAs with the highest childhood poverty rate in the nation. Nationally, the average childhood poverty rate was 19.24 percent; it was 18.1 percent in California. A new study, The Measure of America, reported the 20th Congressional District, which includes Fresno, is the nation's poorest in terms of human development and education. The Fresno Bee reported on July 17, 2008 that "rates of income, health and educational attainment are lower in the 20th Congressional District that includes Fresno, Kings and Kern counties than anywhere else."

Despite poverty figures and gaping differences in income levels, substantial disparities were observed in 2006 in public assistance programs between Fresno and California, particularly with regard to Social Security income and income from disability benefits, as shown in Table 10. For all programs represented on the chart, the average annual benefits for California exceed the same benefits for Fresno, MSA.

Table 10. Select Public Assistance Programs: Fresno, MSA vs. California 2006 Mean Annual Benefits



Source: U.S. Census Bureau, Current Population Survey (CPS)

Definitions:
INCSS = Social Security income
INCUNEMP = Income from unemployment benefits
INCWKCOM = Income from worker's compensation
INCVET = Income from veteran's benefits
INCDISAB = Income from disability benefits
INCCHILD = Income from child support

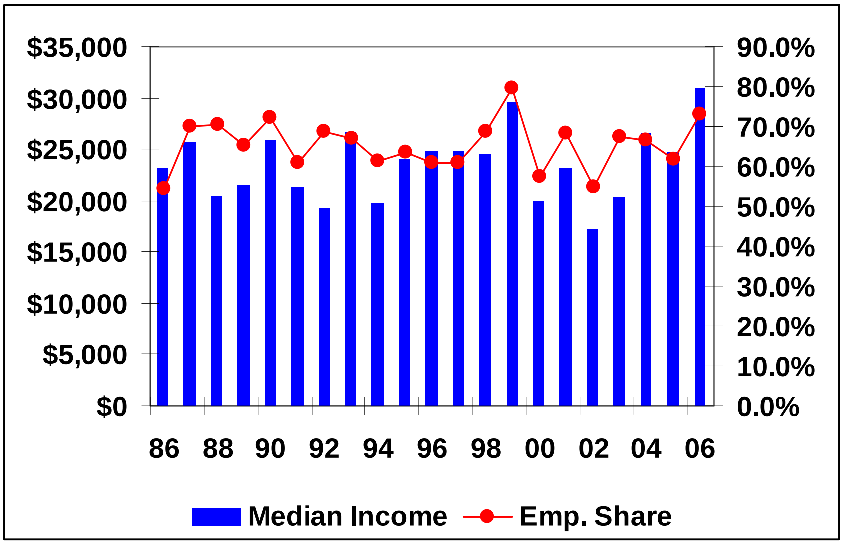
The 2006 American Community Survey showed Fresno County had a population of 990,000; of that number, 15.7 percent -- or 155,430 residents -- are reported as disabled, compared to California's at 12.9 percent and the United States at 15.1 percent. The disparity in disability benefits is enormous.

(The median resident age in Fresno County is 29.9 years, which does not account for low Social Security benefits because California's median age is 34.)

Income for child support may be attributable to the 36 percent of households headed by females who live in poverty, compared to married couple families at 9 percent and all families at 16.3 percent, according to the 2006 American Community Survey. In California, single-family head of household in poverty is 24 percent.

For the last 20 years, full–time, employed workers whose income was below the median income as a percentage of the total labor force averaged more than 65 percent, as shown in Table 11. The same indicator for California is 50.7 percent.

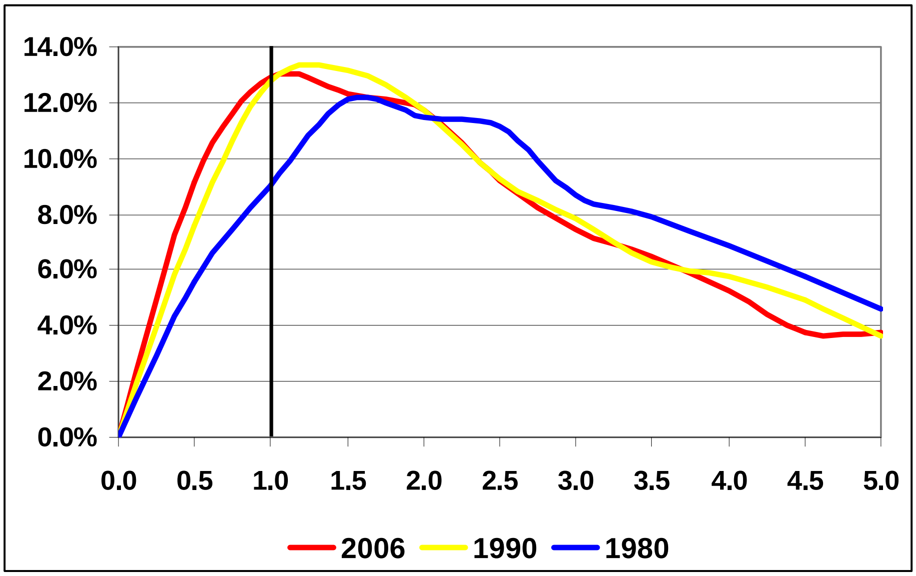
Table 11: Median Income as Percentage of Total Labor Force



Source: U.S. Census Bureau, Current Population Survey (CPS)

Most residents are familiar with reports documenting poverty in the city and county of Fresno. But few are familiar with the depth of poverty, indicated in Table 12.

Table 12. Measuring the Depth of Poverty
Distribution of Income-to-Poverty Ratios (IPR): Fresno, MSA



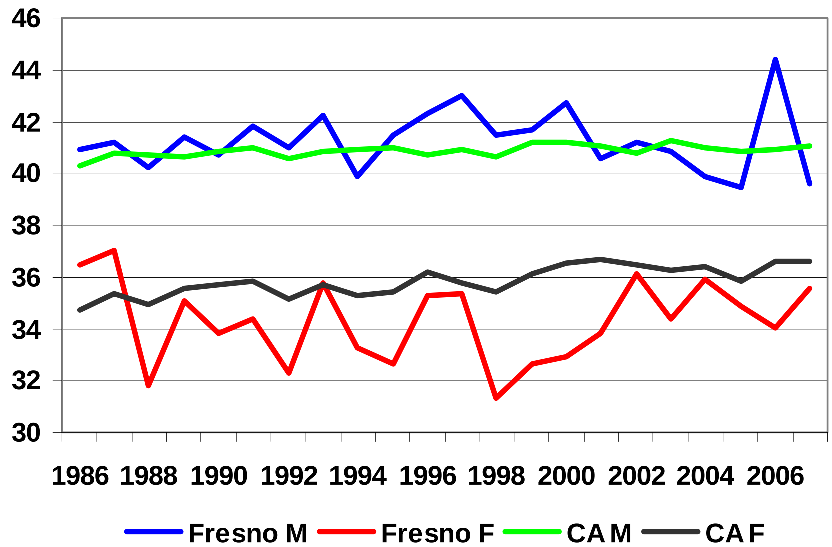
Source: U.S. Census Bureau, American Community Survey (ACS)

While the poverty rate provides a measure of the proportion of people with a family income that is below the established poverty thresholds, the income-to-poverty ratio (IPR) provides a measure to gauge the depth of poverty. The IPR is reported as a percentage comparing household income with poverty thresholds. For example, a household with an IPR ratio of 1.5 has income 50 percent above the poverty threshold.

The IPR distribution has shifted to the left since 1980, suggesting the population with income below the poverty threshold (IPR=1.0) has been growing and increasing in severity. Notice the area under the curves is larger for 2006 than for 1980 and 1990, indicating a growth in poverty.

Figures suggest that over the last 25 years, more people in Fresno County are getting poorer. In 2006, 9.1 percent of households in Fresno had an income below one-half of the poverty threshold (IPR=0.5). Similar indicators for 1980 and 1990 are 5.6 percent and 7.5 percent, respectively. Again in 2006, while 12.9 percent of households in Fresno had an income equal to the poverty threshold (IPR=1.0), only 9.0 percent of households in 1980 and 12.6 percent in 1990 experienced an IPR of 1.0.

Table 13. Number of Hours Worked per Week by Gender: Fresno MSA vs. California (M=Males & F = Females)



Source: U.S. Census Bureau, Current Population Survey (CPS)

Males tend to work more hours per week than females in Fresno by an average of almost 7 hours per week. Females in California tend to work more hours per week than in Fresno by an average of 1.5 hours per week. In Fresno County, females represent 35.5 percent of head of households in poverty, and given the economy and an overall lack of education among residents in poverty, are not working at all, or are holding part-time or minimum wage positions.

Family incomes have seen an upward trend for Blacks and Whites primarily because the increase in women's incomes has outpaced the decline in men's incomes.

Conclusion

Not surprisingly, some disagreement exists as to whether income inequality exists at all.

"There is no fixed, pre-existing glob of income that somehow oozes disproportionately into the pockets of the rich. Wealth is created. The top fifth of the population have ten times more income than the bottom fifth because they have produced ten times more," said Peter Schwartz, In Defense of Income Inequality.

The question remaining is why the top fifth of the population is able to produce more than, say, the middle or bottom quintiles, and while such individuals are highly motivated and educated, did they single-handedly produce 10 time more? From tax policies to education to a child's upbringing, by most accounts, income inequality is the result of several factors that are the result of a variety of human capital and social and economic factors. [17]

This paper ends where it started: by quoting from a policy paper by The Center for Budget and Policy Priorities on the release of new Census figures for 2007. Little good news is contained in the report and by most analyses, if the economy continues the downward spiral experienced in 2007, the expectation is that, for the middle class and working poor, the consequences will be far more distressing for low-income residents in 2009.

The Center for Budget and Policy Priorities concluded, "The downturn in economic indicators, if sustained throughout 2008, bodes poorly for poverty and income. In the past, when the unemployment rate has risen and weekly earnings have declined, median annual income has always fallen and poverty has always increased. Unless the economic situation improves unexpectedly in coming months, the 2008 income and poverty figures will be worse than those for 2007." [18]

In Fresno, anti-poverty efforts are just beginning to skim the surface issues of causative factors of poverty. Income inequality has a pervasive ripple effect, "correlating with, if not causing, more crime, less happiness, poorer mental and physical health, less racial harmony, and less civic and political participation. Tax policy and social-welfare programs, then, take on importance far beyond determining how much income people hold onto.

"The level of inequality we allow represents our answer to a very important question," says Nancy Krieger, professor of society, human development, and health at Harvard's Department of Society, Human Development and Health:

"What kind of society do we want to live in?' "[19]

Finally, says Judith Bell, president of PolicyLink, a national non-profit advocacy group, "While this [economic] crisis escalated dramatically on Wall Street, the long-term solutions must extend to every neighborhood — so every child can attend a high-performing school, every small-business owner can get 21st-century broadband access, and every American can find an affordable home, earn a decent wage, and live in a healthy community."

Appendix

Citations

[1] Sherman, Arloc, Greenstein, Robert and Parrott, Sharon, Examining New Census Data on Poverty, Income, & Health Coverage, Center for Budget and Policy Priorities, August 27, 2008

[2] Heather Boushey, Shawn Fremstad, Rachel Gragg, and Margy Waller, Understanding Low-Wage Work in the United States, March 2007

[3] Saez, Emmanuel, Piketty, Thomas, Striking it Richer: The Evolution of Top Incomes in the United States (Update using 2006 preliminary estimates California Budget and Policy Priorities, March 15, 2008

[4] Ibid. Saez, Piketty

[5] Bernstein, Jared, McNichol, Elizabeth, Lyons, Karen, Pulling Apart, A State-by-State Analysis of Income Trends, Center for Budget and Policy Priorities, and the Economic Policy Institute, January 2006

[6] Bucks, Brian, Kennickall, Arthur B, Moore, Kevin B, Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances Federal Reserve Bulletin, vol. 92 (February 2006), pp. A1-A38. Note: the 2007 report will be released in 2009.

[7] Greenstein, Robert, Testimony Before the Subcommittee on Workforce Protections, Committee on Education and Labor, Center on Budget and Policy Priorities, July 31, 2008

[8] Ibid, Greenstein

[9] Ibid, Piketty and Saez

[10] Krugman, Paul, For Richer, New York Times Magazine, Oct. 20, 2002

[11] Grawe, Nathan,WEALTH and Economic Mobility, Carleton College, prepared for The Urban Institute; see also Kronstadt, Jessica and Favreault, FAMILIES and Economic Mobility, the Urban Institute; both prepared for The Economic Mobility Project, Pew Charitable Trusts

[12] Butler, Stuart; Beach, William Winfree, Paul, Pathways to Economic Mobility: Key Indicators, The Heritage Foundation, for the Economic Mobility Project, Pew Charitable Trusts, Sept. 18, 2008

[15] Haslam, Gerald, The Other California The Great Central Valley in Life and Letters, University of Nevada Press, Reno and Las Vegas, 1994, pps77-79

[16] California Economic Development Department, August 2008

[17] Schwartz, Peter, In Defense of Income Inequality Ayn Rand Institute, March 28, 2007

[18] Shermon, Arloc, Greenstein, Robert, Parrot, Sharon, Poverty And Share Of Americans Without Health Insurance Were Higher In 2007— And Median Income For Working-Age Households Was Lower — Than At Bottom Of Last Recession: For Poverty Rate and Non-Elderly Median Income, Worst Performance on Record For Any Six Years of Economic Growth, Center for Budget and Policy Priorities, August 2008

[19] Gudrais, Elizabeth, Unequal America: Causes and consequences of the wide—and growing—gap between rich and poor, July-August, Harvard Magazine, 2008

Additional Resources:

2007 San Joaquin Valley Quality of Life Index, Antonio Avalos, director of research, Center for Economic Research and Education of Central California (CERECC), www.csufresno.edu/cerecc/ and click on the publications page.

Innovation Economy Agenda, Advanced Research Technologies Inc., Cambridge, Mass., www.thelylescenter.com

Getting Ahead Or Losing Ground: Economic Mobility In America, Julia B. Isaacs, Isabel V. Sawhill, And Ron Haskins The Brookings Institution, http://www.brookings.edu/reports/2008/02_economic_mobility_sawhill.aspx

State Income Inequality Continued to Grow in Most States in the 1990s, Despite Economic Growth and Tight Labor Markets, updated April 2008, Center on Budget and Policy Priorities and Economic Policy Institute http://www.cbpp.org/1-18-00sfp.htm

The Economic Mobility Project is a nonpartisan collaboration of The Pew Charitable Trusts and four leading policy institutes — The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. Series of reports. http://www.economicmobility.org/

Searching for the Uncommon Common Ground, New Dimensions on Race in America, Angela Glover Blackwell, Stewart Kwoh and Manuel Pastor, W.W. Norton and Co., New York, 2002