

CALIFORNIA BUDGET PROJECT

SPECIAL REPORT

THE RISING TIDE LEFT SOME BOATS BEHIND

BOOM, BUST, AND BEYOND
IN THE SAN FRANCISCO BAY AREA

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California Budget Project

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KEY FINDINGS

The San Francisco Bay Area was at the epicenter of both the economic boom of the late 1990s and the bust that followed, driven by the region's technology-based industries. The boom fueled a significant increase in jobs and, for at least some of the region's workforce, a substantial rise in incomes and earnings. The boom also fueled rising housing costs, which were already among the highest in the nation. Just as the Bay Area benefited disproportionately from the technology-driven boom of the late 1990s, it suffered from the sharp drop in the high-tech sector, which began in early 2001.

This report examines how the Bay Area's workers and their families have fared before, during, and since the boom and subsequent bust. The analysis discloses a disturbing trend. While one segment of the Bay Area workforce – high-wage workers – enjoyed spectacular wage growth in the late 1990s, the region's low-wage workforce was largely left behind. High-wage workers' earnings increased by nearly 20 percent between 1995 and 2000, while the earnings of low-wage workers were flat. These findings stand in contrast to the conventional wisdom that a "rising tide lifts all boats." While wages of the region's lowest paid workers remained higher than those of their counterparts in the remainder of the state and poverty rates remained lower, the gap between high- and low-wage earners in the region widened.

This report also finds that the Bay Area economy differs significantly from that of the remainder of California. The Bay Area economy relies heavily on the high-tech sector and is less dependent on the trade and public administration sectors. Bay Area wages and incomes are substantially higher than those in the rest of the state, reflecting a workforce that has substantially higher levels of educational attainment. The racial and ethnic composition of the Bay Area workforce also differs notably from that of the rest of California.

The key findings of this report are summarized below.

Bay Area Jobs Rise and Fall

The high-tech boom brought strong job growth and unprecedented low levels of unemployment to the Bay Area in the late 1990s, followed by massive job losses. Monthly unemployment rates dipped below 2 percent for some Bay Area counties in late 1999. Between 1990 and 2000, the Bay Area economy added nearly 600,000 jobs. However, the Bay Area lost more than 300,000 jobs between 2000 and 2004; over one-third of those jobs were in the high-tech sector.

Wage Growth Concentrated at Middle and High End of Earnings Spectrum

Wages grew substantially for the median, or typical, Bay Area worker – the worker at the middle of the wage distribution – as well as for high-wage workers during the tech boom years of the late 1990s, but not for the region's low-wage workers. The typical wage of Bay Area workers increased by 8.5 percent, and high-wage workers' earnings jumped by 18.7 percent between 1995 and 2000. In stark contrast, the boom did not raise the earnings of low-wage workers over the same period. The hourly earnings of the Bay Area's low-wage workers – those at the 20th percentile – were flat between 1995 and 2000. Between 1979 and 2004, the earning power of low-wage workers actually fell by 4.6 percent.

The Bay Area's Wage Gap Widened

The divergent wage trends significantly widened the gap between the Bay Area's high-wage "haves" and the low-wage "have nots" between 1979 and 2004. This growing gap was fueled in part by the divergent wage trends during the boom economy of the late 1990s, when wages soared for high-wage workers but were flat for low-wage workers. In 1979, high-wage workers in the Bay Area earned 2.2 times as much as low-wage workers. However, by 2004, high-wage workers earned 3.0 times as much as low-wage workers.

Bay Area Economy Relies on Highly Educated Workers

The Bay Area economy relies on and rewards highly educated workers. Nearly half (48.0 percent) of the workforce has a college degree, compared to less than one-third (31.6 percent) of the workforce in the rest of the state. More than four in 10 foreign-born workers in the Bay Area have a college degree, compared with approximately one-quarter of foreign-born workers in the rest of the state. The typical worker in the Bay Area with a four-year degree earned over 40 percent more than the typical worker with some college education but not a bachelor's degree in 2004. The typical worker with some college education but not a four-year degree earned over one-quarter more than the typical worker with only a high school degree.

“The divergent wage trends significantly widened the gap between the Bay Area’s high-wage ‘haves’ and the low-wage ‘have nots’.”

Bay Area Has Higher Wages, Incomes, and Cost of Living

Wages in the Bay Area are higher across the earnings distribution compared to the rest of the state, translating into higher incomes and lower levels of poverty. Wages tend to be approximately 20 percent higher than in the remainder of California and are higher than those earned by workers of the same race, ethnicity, gender, educational attainment, industry, and occupation in the rest of the state. Median family and household incomes were more than one-quarter higher in the Bay Area than in the state as a whole in 2004. Similarly, poverty and child poverty levels were approximately one-third lower than in the remainder of the state.

As a result of higher incomes, families in the Bay Area are less likely to be working but poor, as compared to families in the rest of the state. One in seven Bay Area working families (14.2 percent) had incomes below twice the federal poverty level in 2004. In contrast, nearly one in four working families (22.8 percent) had incomes below 200 percent of the federal poverty level in the remainder of the state.

The higher cost of living in the Bay Area, and high housing costs in particular, somewhat offsets higher wages and incomes but has not resulted in lower homeownership rates. A similar share of workers in the Bay Area and the rest of the state – three out of four – did not earn sufficient wages to support a family of three in 2004, based on the California Budget Project’s Basic Family Budget, which adjusts for regional variations in housing and other costs. The similarity in the share of workers with insufficient wages by this measure indicates that the cost of living in the Bay Area erodes the benefits of higher earnings. However, despite extraordinary real estate prices and low levels of housing affordability, families are more likely to own their homes in the Bay Area than in the rest of the state.

THE BAY AREA'S ECONOMY IN THE BOOM, THE BUST, AND BEYOND

The Bay Area, ground zero for California's boom-bust cycle of the past decade, experienced tremendous economic growth in the mid- to late-1990s as measured by both job growth and rising wages and incomes. The good times were signified by unemployment rates lower than what was previously believed possible. The region's unemployment rate was below 4 percent throughout 2000, and the rates in San Mateo and Marin Counties dipped below 2 percent in the last quarter of 1999.¹ The boom years also brought tremendous job growth to the Bay Area (Table 1).

When the high-tech sector crashed in 2001, job losses soared. Monthly unemployment rates rose quickly in the Bay Area, catching up to and even surpassing the rate in the rest of the state (Figure 1). By June 2003, the monthly unemployment rate in the Bay Area stood at 7.5 percent, fully three times the December 1999 level. Despite this rapid increase, the Bay Area's monthly unemployment rate reached that of the rest of state for a relatively short period of time before falling again in late 2003.

Annual job losses in the region continued through 2004, well after the official end of the recession in November 2001 (Table

1).² In total, the region lost over 300,000 jobs between 2000 and 2004. The vast majority of the losses between 2000 and 2004 came in manufacturing and professional and business services, both associated with the high-tech economy. Most other sectors also lost jobs, including information, trade, and transportation. The only sectors with an increase in jobs between 2000 and 2004 were educational and health services, financial activities, and leisure and hospitality.

Bay Area employment began to rebound during the first part of 2005. The Bay Area added new jobs through September 2005 with substantial year-over-year gains in construction, financial activities, and educational and health services. However, other sectors remained stagnant or lost jobs, and year-over-year job growth in the Bay Area averaged 0.6 percent, as compared to 2.0 percent in the rest of the state, during the first nine months of 2005.

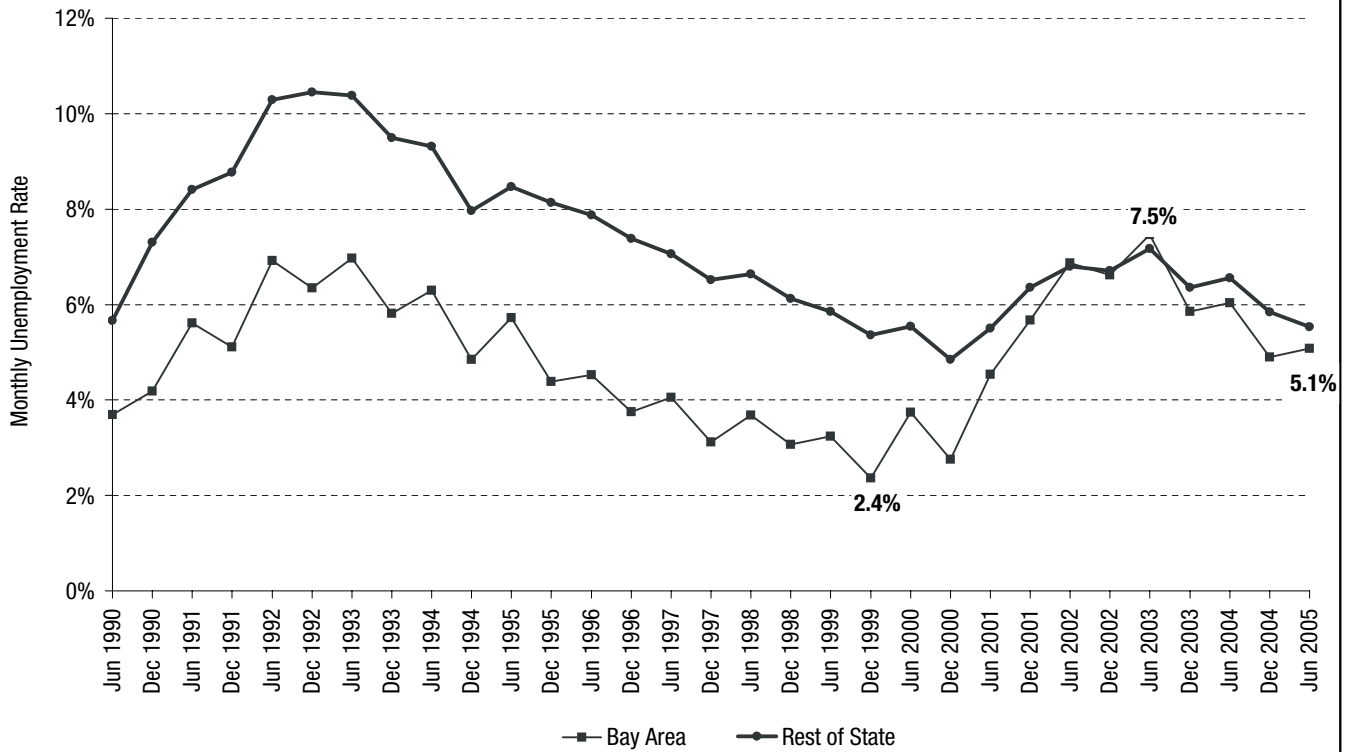
The massive shedding of jobs in the Bay Area contrasts with the relatively mild effects of the recession in the rest of the state. The total number of jobs never declined on an annual basis outside the Bay Area and, instead, increased slowly but consistently between 2000 and 2004 (Table 2). Most major economic sectors grew, led by educational and health services and construction. The manufacturing, transportation and utilities, and information sectors lost jobs, but these declines were smaller than in the Bay Area.

Table 1: Number of Bay Area Jobs by Industry

	Number of Jobs						Percent Change			Share of Total Nonfarm Employment, 2004
	1990	2000	2001	2002	2003	2004	1990 to 2000	2000 to 2004	1990 to 2004	
Professional and Business Services	410,600	675,900	625,300	547,400	522,900	524,100	64.6%	-22.5%	27.6%	16.5%
Public Administration	458,600	463,800	466,900	480,000	472,100	462,800	1.1%	-0.2%	0.9%	14.6%
Wholesale and Retail Trade	439,000	488,700	488,300	469,800	458,400	452,700	11.3%	-7.4%	3.1%	14.2%
Educational and Health Services	274,100	334,300	343,400	348,900	355,100	357,900	22.0%	7.1%	30.6%	11.3%
Manufacturing	452,700	480,400	461,300	402,000	363,500	355,900	6.1%	-25.9%	-21.4%	11.2%
Leisure and Hospitality	244,900	297,700	304,900	300,800	301,400	304,000	21.6%	2.1%	24.1%	9.6%
Financial Activities	204,200	198,500	212,700	210,800	211,000	208,500	-2.8%	5.0%	2.1%	6.6%
Construction	131,100	184,900	193,500	182,500	178,400	182,800	41.0%	-1.1%	39.4%	5.8%
Information	84,000	151,600	146,700	126,900	116,900	114,200	80.5%	-24.7%	36.0%	3.6%
Other Services	95,900	110,800	114,300	114,700	112,400	110,600	15.5%	-0.2%	15.3%	3.5%
Transportation and Utilities	113,500	125,600	120,700	111,600	105,200	101,800	10.7%	-18.9%	-10.3%	3.2%
Total Nonfarm	2,918,500	3,515,100	3,480,100	3,297,700	3,198,700	3,177,300	20.4%	-9.6%	8.9%	100.0%

Source: Employment Development Department

Figure 1: Recent Recession Caused More Joblessness in Bay Area



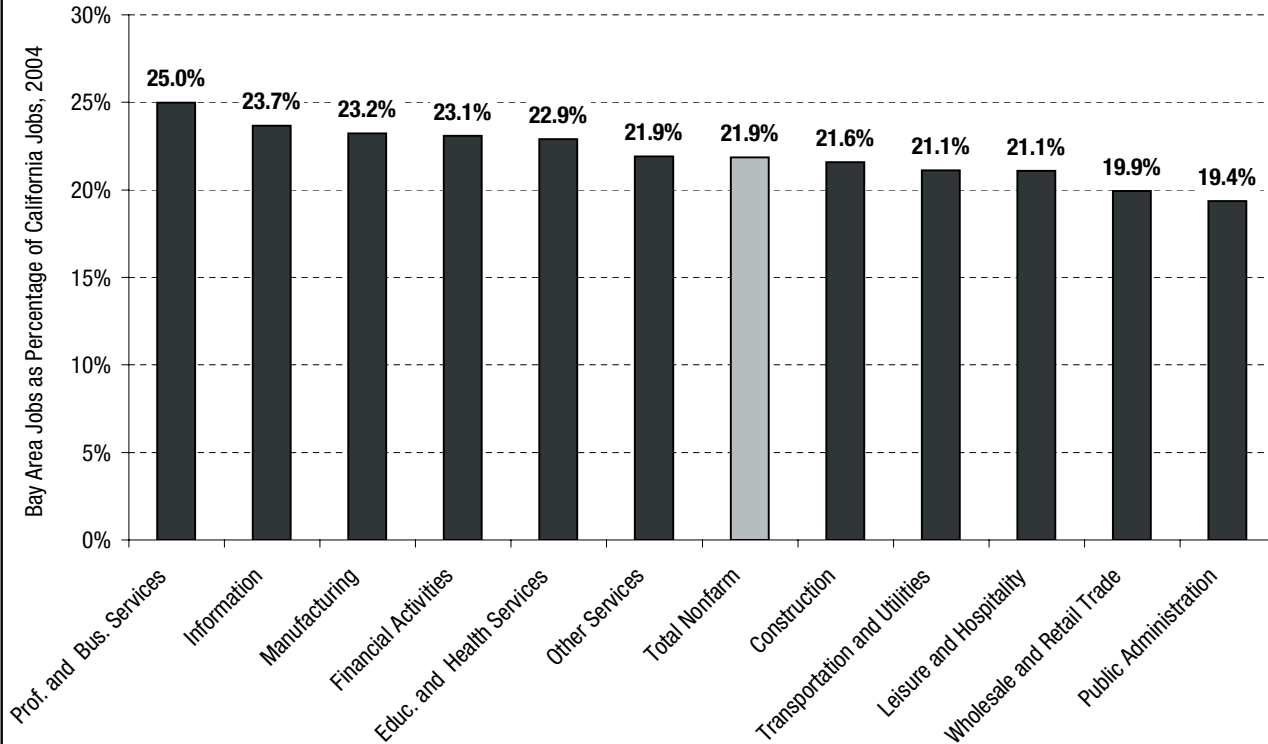
Note: Data for June and December only (not seasonally adjusted).
Source: Employment Development Department

Table 2: Number of Jobs in Rest of State by Industry

	Number of Jobs						Percent Change			Share of Total Nonfarm Employment, 2004
	1990	2000	2001	2002	2003	2004	1990 to 2000	2000 to 2004	1990 to 2004	
Public Administration	1,616,200	1,854,300	1,915,200	1,967,100	1,953,400	1,927,500	14.7%	3.9%	19.3%	17.0%
Wholesale and Retail Trade	1,555,400	1,715,600	1,744,700	1,764,000	1,779,000	1,817,700	10.3%	6.0%	16.9%	16.0%
Professional and Business Services	1,105,400	1,570,100	1,561,200	1,566,900	1,557,100	1,574,600	42.0%	0.3%	42.4%	13.9%
Educational and Health Services	842,200	1,063,700	1,103,500	1,149,900	1,181,300	1,204,300	26.3%	13.2%	43.0%	10.6%
Manufacturing	1,507,100	1,377,100	1,324,400	1,236,200	1,184,400	1,176,800	-8.6%	-14.5%	-21.9%	10.4%
Leisure and Hospitality	859,600	1,034,900	1,059,200	1,081,600	1,098,800	1,138,300	20.4%	10.0%	32.4%	10.0%
Financial Activities	617,700	596,600	622,500	642,000	674,600	694,300	-3.4%	16.4%	12.4%	6.1%
Construction	513,400	546,100	585,500	591,000	617,500	664,500	6.4%	21.7%	29.4%	5.8%
Other Services	319,700	375,900	384,700	391,000	391,900	393,900	17.6%	4.8%	23.2%	3.5%
Transportation and Utilities	311,700	391,600	393,000	379,400	375,400	380,400	25.6%	-2.9%	22.0%	3.3%
Information	306,600	423,800	404,800	370,400	359,300	368,300	38.2%	-13.1%	20.1%	3.2%
Total Nonfarm	9,581,300	10,973,100	11,121,900	11,160,100	11,193,600	11,361,500	14.5%	3.5%	18.6%	100.0%

Source: Employment Development Department

Figure 2: Bay Area Has a Disproportionate Number of Jobs in Professional Services and Information Industries



Source: Employment Development Department

The region's reliance on the high-tech sector drove employment trends in the Bay Area during the boom and the bust. The Bay Area economy is slightly more dependent on two broad industry sectors that are linked to the high-tech economy, the manufacturing and professional and business services sectors, as compared to the state as a whole. The Bay Area was home to 23.2 percent of all manufacturing jobs in the state and 25.0 percent of the state's professional and business services jobs

in 2004, slightly higher than the Bay Area's share (21.9 percent) of the state's total jobs (Figure 2). Focusing on key high-tech industries within these broad sectors highlights how they, in particular, were behind the boom and bust of the Bay Area economy. Employment in eight individual manufacturing and service industries that form the backbone of the information technology economy grew by more than 50 percent in the Bay Area between 1990 and 2000, making up over 10 percent of the

Table 3: High-Tech Industry Jobs Boom and Bust in Bay Area

	Number of Jobs			Change in Number of Jobs			Percent Change		
	1990	2000	2004	1990 to 2000	2000 to 2004	1990 to 2004	1990 to 2000	2000 to 2004	1990 to 2004
Alameda	23,300	31,300	26,300	8,000	-5,000	3,000	34.3%	-16.0%	12.9%
Contra Costa	11,100	17,700	13,300	6,600	-4,400	2,200	59.5%	-24.9%	19.8%
Marin	1,900	3,900	3,100	2,000	-800	1,200	105.3%	-20.5%	63.2%
San Francisco	11,500	33,400	16,300	21,900	-17,100	4,800	190.4%	-51.2%	41.7%
San Mateo	7,400	27,600	15,400	20,200	-12,200	8,000	273.0%	-44.2%	108.1%
Santa Clara	179,400	255,700	178,300	76,300	-77,400	-1,100	42.5%	-30.3%	-0.6%
Sonoma	4,000	5,300	2,700	1,300	-2,600	-1,300	32.5%	-49.1%	-32.5%
Bay Area	238,600	374,900	255,400	136,300	-119,500	16,800	57.1%	-31.9%	7.0%
Rest of State	449,000	550,800	474,700	101,800	-76,100	25,700	22.7%	-13.8%	5.7%

Note: Includes industries closely associated with information technology manufacturing and service (computer and peripheral equipment manufacturing; semiconductor and electronic component manufacturing; electronic instrument manufacturing; electronic and appliance stores; software stores; telecommunications; Internet service and Web search providers; and computer systems design and related services). EDD does not report data for these industries in Napa and Solano Counties.

Source: Employment Development Department

region's employment in 2000 (Table 3). Employment in these same industries fell by nearly one-third (31.9 percent) in 2004, bleeding 120,000 jobs and accounting for over one-third of job losses in the Bay Area. Santa Clara County alone lost 77,000 high-tech jobs, slightly exceeding the number of jobs lost in these industries in the state outside the Bay Area.

Over a longer time period, the Bay Area's employment picture remains somewhat brighter. Between 1990 and 2004, the Bay Area added over a quarter of a million jobs, with strong gains in construction, information, professional and business services, educational and health services, and leisure and hospitality. However, manufacturing jobs declined from 15.5 percent to 11.2 percent of the region's employment, a somewhat lower decline than in the rest of the state. The decline in manufacturing jobs in the rest of the state occurred both before and after the high-tech bust; in contrast, manufacturing job losses in the Bay Area occurred entirely after the bust. This timing difference suggests that the manufacturing decline in the Bay Area was more tightly linked to the high-tech economy than in the rest of the state. The loss of manufacturing jobs was concentrated in Santa Clara County, where manufacturing jobs declined from 30.5 to 19.8 percent of employment.

THE WAGE GAP WIDENS IN THE BAY AREA

Wages and Wage Growth Are Higher in the Bay Area Than in Rest of the State

The wage of the median, or typical, Bay Area worker – the worker at the middle of the earnings distribution – is substantially higher than that of workers in the rest of the state.³ In 2004, the typical Bay Area worker earned \$20.00 per hour as compared to \$16.00 per hour in the rest of the state (Table 4). This translates into a Bay Area wage premium of 25 percent. Historically, the wage premium was less than 20 percent in the early 1990s, rising to approximately 30 percent at the height of the boom of the late 1990s, and then settling at approximately 25 percent since 2002.

The typical hourly wage of Bay Area workers rose by a healthy 8.5 percent during the boom years of the late 1990s, nearly three times the wage growth for the typical worker in the rest of the state. Over a longer horizon, hourly earnings of the typical worker have grown three times faster in the Bay Area. In the Bay Area, the typical worker's wage rose by 10.6 percent between 1979 and 2004 in inflation-adjusted dollars, as compared to 3.5 percent in the remainder of the state.

Table 4: Median Hourly Wages (2004 Dollars)

	Bay Area	Rest of California	Bay Area as a Percentage of Rest of California
1979	\$18.08	\$15.45	117.0%
1989	\$18.39	\$15.30	120.2%
1990	\$18.22	\$15.42	118.2%
1991	\$18.00	\$15.55	115.7%
1992	\$17.81	\$15.83	112.5%
1993	\$17.70	\$15.45	114.6%
1994	\$17.46	\$15.13	115.4%
1995	\$18.20	\$14.77	123.3%
1996	\$17.98	\$14.38	125.0%
1997	\$17.94	\$14.08	127.4%
1998	\$18.81	\$14.47	130.0%
1999	\$19.27	\$14.74	130.8%
2000	\$19.74	\$15.24	129.6%
2001	\$20.28	\$15.39	131.8%
2002	\$19.75	\$15.76	125.3%
2003	\$19.51	\$15.40	126.7%
2004	\$20.00	\$16.00	125.0%
	Percent Change		
	Bay Area	Rest of California	
1979 to 1989	1.7%	-1.0%	
1989 to 1995	-1.0%	-3.5%	
1995 to 2000	8.5%	3.2%	
2000 to 2004	1.3%	5.0%	
1979 to 2004	10.6%	3.5%	

Source: CBP analysis of Current Population Survey data

High-Wage Workers Post Substantial Gains

Hourly earnings for high-wage earners – those at the 80th percentile of the earnings distribution – are higher in the Bay Area than in the rest of the state, not surprising given the region's high-tech economy (Table 5). The wage gap between high-wage workers in the Bay Area and the rest of the state widened steadily through the bust and boom to 32.2 percent in 2003. However, the wage premium fell to 23.6 percent in 2004, precipitated by flat wage growth in the Bay Area and rapid wage growth for high earners in the rest of the state. It is unclear whether this decrease represents a reversal of the trend over the prior decade, such as a long-delayed response to the bust, or is merely a one-year aberration.

The widening wage gap was driven by phenomenal wage growth among the Bay Area's high-wage earners, which far outstripped increases for the typical and low-wage earners. The strongest gains came during the boom of the late 1990s, when hourly

Table 5: 20th and 80th Percentile Hourly Wages (2004 Dollars)

	20th Percentile Wages		Bay Area as a Percentage of Rest of California	80th Percentile Wages		Bay Area as a Percentage of Rest of California
	Bay Area	Rest of California		Bay Area	Rest of California	
1979	\$12.06	\$9.64	125.0%	\$26.52	\$24.11	110.0%
1989	\$11.47	\$8.99	127.7%	\$28.30	\$25.01	113.2%
1990	\$11.39	\$8.94	127.4%	\$28.74	\$24.92	115.4%
1991	\$10.82	\$9.39	115.3%	\$28.59	\$25.36	112.7%
1992	\$10.69	\$9.24	115.7%	\$28.04	\$25.37	110.5%
1993	\$10.81	\$9.01	120.0%	\$28.32	\$25.75	110.0%
1994	\$10.79	\$8.83	122.3%	\$27.93	\$25.22	110.8%
1995	\$11.08	\$8.37	132.4%	\$28.41	\$24.62	115.4%
1996	\$10.79	\$8.39	128.6%	\$28.77	\$23.97	120.0%
1997	\$10.56	\$8.22	128.6%	\$29.34	\$24.38	120.4%
1998	\$11.57	\$8.10	142.9%	\$30.60	\$25.03	122.2%
1999	\$11.33	\$8.50	133.3%	\$31.48	\$25.96	121.3%
2000	\$11.06	\$8.78	126.0%	\$33.73	\$26.33	128.1%
2001	\$11.63	\$8.90	130.7%	\$34.15	\$26.68	128.0%
2002	\$11.55	\$9.19	125.7%	\$34.66	\$26.28	131.9%
2003	\$11.06	\$9.24	119.7%	\$35.53	\$26.87	132.2%
2004	\$11.50	\$9.38	122.7%	\$34.62	\$28.00	123.6%
	Percent Change					
	20th Percentile Wages			80th Percentile Wages		
	Bay Area	Rest of California		Bay Area	Rest of California	
1979 to 1989	-4.8%	-6.8%		6.7%	3.7%	
1989 to 1995	-3.5%	-6.9%		0.4%	-1.6%	
1995 to 2000	-0.2%	4.8%		18.7%	6.9%	
2000 to 2004	4.0%	6.8%		2.6%	6.4%	
1979 to 2004	-4.6%	-2.8%		30.5%	16.1%	

Source: CBP analysis of Current Population Survey data

earnings at the 80th percentile rose by 18.7 percent in inflation-adjusted dollars between 1995 and 2000, nearly three times the growth for high-wage workers in the rest of the state. Between 1979 and 2004, the hourly earnings of the Bay Area's high-wage workers rose by 30.5 percent after adjusting for inflation, approximately three times the growth for the typical worker and nearly twice the gain of high-wage workers in the rest of the state.

Wages of the Bay Area's Low-Wage Workers Lag Behind

In sharp contrast to wage gains for the typical and high-wage workers, the fruits of the Bay Area's prosperity have largely eluded low-wage workers, those at the 20th percentile of the earnings distribution. Even the boom years of the late 1990s did

not bring wage growth for low-earning workers. Since 1979, the hourly earnings of the Bay Area's low-wage workers actually declined 4.6 percent after adjusting for inflation, signaling that the enormous wealth created in the Bay Area did not trickle down to the lowest earning workers. Much of that drop is due to a 4.8 percent inflation-adjusted decline between 1979 and 1989. Moderate wage growth since 2000 has partially offset declines during prior periods; however, hourly earnings of low-wage workers in 2004 were still lower than they were in 1979 after adjusting for inflation.

The earnings of the Bay Area's low-wage workers have consistently outpaced those of their counterparts in the remainder of the state. However, even though hourly earnings of low-wage workers in the rest of the state have been lower, they have lost less purchasing power (2.8 percent) since 1979 than in the Bay Area (4.6 percent). Strikingly, low-earning workers in the rest

“Nearly half of Bay Area workers (48.0 percent) had at least a bachelor’s degree in 2004, compared with fewer than one in three workers (31.6 percent) in the rest of the state.”

of the state experienced moderate wage growth of 4.8 percent in inflation-adjusted dollars during the latter half of the 1990s, contrasting with completely flat wages for low earners in the tech-driven Bay Area.

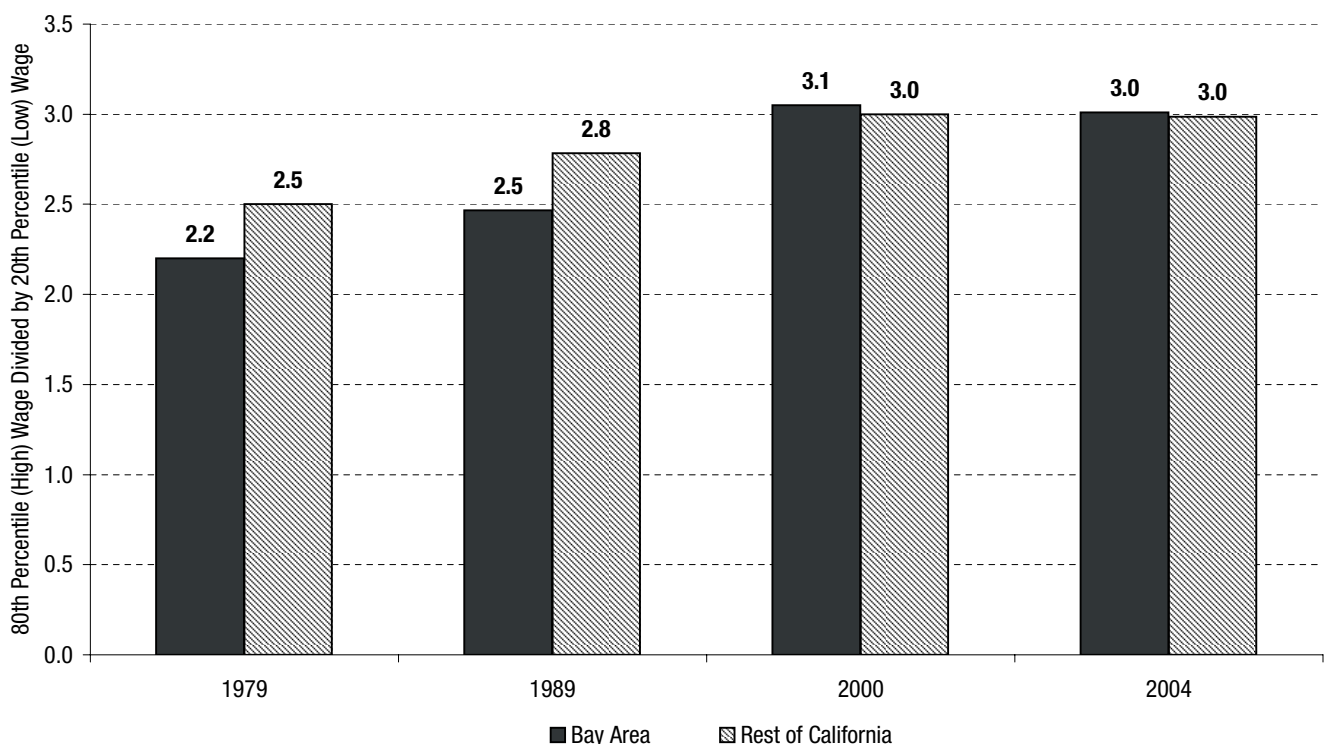
The Earnings of the Bay Area’s High- and Low-Wage Workers Are Pulling Apart

The gap between the “haves” and the “have-nots” widened substantially in the Bay Area as earnings growth for high-wage

earners far surpassed that of low-wage workers. The Bay Area’s high-wage workers earned 2.2 times as much as low-wage workers in 1979 (Figure 3). However, by 2004, the hourly earnings of the Bay Area high-wage workers were 3.0 times those of low-wage workers. The gap between high-wage and low-wage workers widened significantly between 1989 and 2000, reflecting wage disparities driven by the boom economy of the 1990s. The widening gap stems from strong wage growth for high earners and falling wages for low-wage earners.

The growth in the wages of high-earning workers also exceeded that of low-wage workers in the rest of the state, but to a lesser degree than in the Bay Area. The gap between high-wage and low-wage workers was wider in the rest of the state than in the Bay Area in 1979, when high-wage workers earned 2.5 times as much as low-wage earners. However, the gap in the rest of the state increased by a lesser degree in the 1990s than in the Bay Area. By 2000, wage inequality was slightly narrower in the rest of the state than in the Bay Area. In 2004, high-wage workers in the rest of the state earned 3.0 times the hourly wage of their low-wage counterparts, mirroring the gap between high-wage and low-wage workers in the Bay Area.

Figure 3: The Gap Between High and Low Wages Has Increased More in Bay Area



Source: CBP analysis of Current Population Survey data

Table 6: How Do Bay Area Workers Compare with Workers in the Rest of California?

	1979		1989		2004	
	Bay Area	Rest of California	Bay Area	Rest of California	Bay Area	Rest of California
Age						
25 to 40	55.5%	56.7%	60.0%	60.9%	49.7%	47.8%
41 to 55	32.7%	31.8%	30.6%	31.0%	39.4%	41.2%
56 to 64	11.8%	11.5%	9.4%	8.1%	10.9%	11.0%
Gender						
Male	56.9%	57.3%	53.7%	54.4%	53.2%	54.2%
Female	43.1%	42.7%	46.3%	45.6%	46.8%	45.8%
Race/Ethnicity						
Asian and Other	10.0%	5.8%	18.0%	7.8%	25.2%	12.6%
Black	7.3%	6.7%	6.4%	6.9%	5.9%	6.0%
Latino	9.2%	16.6%	13.2%	25.0%	20.6%	33.5%
White	73.5%	70.9%	62.4%	60.4%	48.3%	47.9%
Education						
Less Than High School Degree	11.1%	18.5%	9.6%	17.2%	8.1%	16.1%
High School Degree	27.2%	28.9%	23.3%	27.5%	18.0%	21.6%
Some College	28.0%	29.5%	29.8%	28.1%	26.0%	30.7%
Bachelor's Degree or Higher	33.7%	23.0%	37.3%	27.1%	48.0%	31.6%
Work Schedule						
Full-Time (35 Hours or More per Week)	87.9%	89.0%	87.5%	87.8%	86.4%	87.5%
Part-Time (Less Than 35 Hours per Week)	12.1%	11.0%	12.5%	12.2%	13.6%	12.5%

Source: CBP analysis of Current Population Survey data

THE BAY AREA'S WORKFORCE IS UNIQUE

Highly Educated Workers Are Central to the Bay Area Economy

As a whole, Bay Area workers have much higher levels of educational attainment than workers in the rest of the state (Table 6). Nearly half of Bay Area workers (48.0 percent) had at least a bachelor's degree in 2004, compared with fewer than one in three workers (31.6 percent) in the rest of the state. The Bay Area attracted highly educated workers during the 1990s as the high-tech sector played an increasing role in the regional economy, boosting the proportion of workers with a college degree from 37.3 percent in 1989 to 48.0 percent in 2004. Additionally, Bay Area workers were half as likely to lack a high school degree as workers in the rest of the state in 2004 (8.1 and 16.1 percent, respectively).

The Bay Area's workforce also looks different than that of the rest of the state. One-quarter (25.2 percent) of Bay Area workers were Asian in 2004, twice the proportion in the remainder of the state (12.6 percent).⁴ Additionally, one in five workers (20.6 percent) was Latino in the Bay Area, considerably fewer than one in three (33.5 percent) in the remainder of the state. The proportions of white and black workers in the Bay Area were similar to those in the rest of the state.

Educational Attainment Translates into Higher Wages

Increasing levels of educational achievement translate into higher wages, both in the Bay Area and in the rest of the state. For example, the typical worker with a high school degree earned 50.0 percent more than the typical worker who did not graduate from high school, both in the Bay Area and in the rest of the state (Table 7). Similarly, the typical Bay Area worker with some college, but not a four-year degree, earned 26.7 percent more than the typical high school graduate with no college education.

The magnitude of the so-called "returns to education" – the gain in wages associated with additional levels of education – was

Table 7: Bay Area Workers Earn More Across All Levels of Educational Attainment, 2004

	Median Hourly Wage				Wage Differential		
	Less Than High School	High School Degree	Some College	Bachelor's Degree or Higher	High School Degree versus Less Than High School	Some College versus High School Degree	Bachelor's Degree or Higher versus Some College
Bay Area	\$10.00	\$15.00	\$19.00	\$26.90	50.0%	26.7%	41.6%
Rest of California	\$9.00	\$13.50	\$16.36	\$25.00	50.0%	21.2%	52.8%
Bay Area as a Percentage of Rest of California	111.1%	111.1%	116.1%	107.6%			

Source: CBP analysis of Current Population Survey data

fairly similar in the Bay Area and in the rest of the state with the exception of the return for workers with a bachelor's degree or higher. Despite the fact that the Bay Area depends heavily on highly educated workers, the typical Bay Area worker with a bachelor's degree or higher earned 41.6 percent more than the typical worker with some college but not a bachelor's degree, substantially less than the 52.8 percent differential for such workers in the rest of the state.

Gender Wage Gap Is Wider in the Bay Area

Despite the vitality of the Bay Area's economy, the gap between the earnings of the typical Bay Area male and female worker is wider than that in the rest of the state. In 2004, the typical female Bay Area worker earned an hourly wage that was 84.8 percent that of her male counterpart (Table 8). In contrast, the typical woman in the rest of the state earned 86.7 percent of the hourly wage of the typical male worker.

Over the long term, the gender wage gap has narrowed in both the Bay Area and in the rest of the state. This decline is largely driven by strong wage growth for women, especially in the Bay Area, and falling wages for men, especially in the rest of the state, after adjusting for inflation. Hourly wages of the typical Bay Area woman rose by 34.0 percent in the Bay Area, as compared to 24.4 percent in the rest of the state, between 1979 and 2004. During the same period, the hourly wage of the typical male worker in the Bay Area fell by 1.2 percent, after adjusting for inflation. In contrast, the hourly wage of the typical male worker in the rest of the state dropped by 9.5 percent over the same period in inflation-adjusted dollars.

While the Bay Area's male workers fared better than their female counterparts during the boom years, the reverse has been true since 2000. The typical man's hourly wage increased 9.9 percent between 1995 and 2000, while the typical woman's hourly wage increased 6.9 percent. In contrast, hourly earnings for the typical male worker did not keep pace with inflation between 2000 and 2004, while the typical woman's wage increased by 6.8 percent in inflation-adjusted dollars.

The Bay Area's Black Workers Have Fared Better in the Bay Area Than in the Rest of the State, While the Earnings of Latino Workers Have Declined

Over the past 25 years, the hourly wage of the typical black worker in the Bay Area rose five times as fast as the wage of the typical black worker in the rest of the state (Table 9).⁵ The earnings of the typical black worker in the Bay Area rose by 19.6 percent, after adjusting for inflation, between 1979 and 2004.⁶ In contrast, the typical black worker's hourly wage increased by 3.7 percent in the rest of the state during the same period. Growth in hourly earnings of the Bay Area's typical Asian and white workers also outpaced the growth in hourly earnings of the typical worker of the same race in the rest of the state, but to a lesser extent.

Despite the strong growth in the wages of the Bay Area's typical black worker, the gap between black and white workers' earnings widened between 1979 and 2004. This occurred since the hourly earnings of Bay Area white workers rose faster than those of the Bay Area's black workers. In 2004, the typical black worker in the Bay Area earned 78.1 percent of the wage earned by the typical white worker, as compared to 79.6 percent in 1979.

In sharp contrast to black wages in the Bay Area, Latino workers' wages have lost significant ground since 1979. The hourly wage of the typical Latino worker has fallen in both the Bay Area and in the rest of the state, but it declined to a greater degree in the Bay Area over the past 25 years. The earnings of the typical Latino worker were higher than those of the typical black worker in the Bay Area in 1979, but dropped by 10.2 percent between 1979 and 2004, falling well below the typical black worker's wage. This decline reflects a 12.6 percent drop between 1979 and 1989 and a 9.8 percent decline between 1989 and 1995. However, those declines have been partly reversed by wage increases

Table 8: Median Hourly Bay Area Wages by Gender (2004 Dollars)

	Bay Area			Rest of California			Bay Area Wages as a Percentage of Wages in Rest of State	
	Men	Women	Women's Wages as a Percentage of Men's Wages	Men	Women	Women's Wages as a Percentage of Men's Wages	Men	Women
1979	\$22.01	\$13.77	62.5%	\$19.12	\$12.06	63.1%	115.1%	114.2%
1989	\$21.18	\$15.20	71.7%	\$17.65	\$13.24	75.0%	120.0%	114.8%
1990	\$21.02	\$16.19	77.0%	\$17.52	\$13.15	75.0%	120.0%	123.1%
1991	\$20.29	\$16.23	80.0%	\$17.58	\$13.53	76.9%	115.4%	120.0%
1992	\$19.79	\$15.83	80.0%	\$17.15	\$13.66	79.6%	115.4%	115.9%
1993	\$19.31	\$15.83	82.0%	\$17.16	\$13.74	80.0%	112.5%	115.3%
1994	\$18.91	\$15.15	80.1%	\$16.39	\$13.87	84.6%	115.4%	109.3%
1995	\$19.96	\$16.16	81.0%	\$16.62	\$13.17	79.3%	120.1%	122.7%
1996	\$19.18	\$16.78	87.5%	\$15.37	\$13.23	86.1%	124.8%	126.8%
1997	\$20.30	\$16.36	80.6%	\$15.26	\$12.95	84.8%	133.1%	126.4%
1998	\$20.83	\$17.36	83.3%	\$16.03	\$13.31	83.0%	130.0%	130.4%
1999	\$21.25	\$17.00	80.0%	\$16.35	\$13.09	80.1%	130.0%	129.9%
2000	\$21.94	\$17.28	78.8%	\$16.87	\$13.50	80.0%	130.0%	127.9%
2001	\$22.41	\$17.79	79.4%	\$17.07	\$13.87	81.3%	131.3%	128.2%
2002	\$21.01	\$17.86	85.0%	\$17.15	\$14.14	82.4%	122.5%	126.3%
2003	\$21.71	\$17.46	80.4%	\$16.69	\$14.81	88.7%	130.1%	117.9%
2004	\$21.75	\$18.45	84.8%	\$17.31	\$15.00	86.7%	125.7%	123.0%
	Percent Change							
	Bay Area				Rest of California			
	Men	Women			Men	Women		
1979 to 1989	-3.8%	10.4%			-7.7%	9.8%		
1989 to 1995	-5.8%	6.3%			-5.9%	-0.5%		
1995 to 2000	9.9%	6.9%			1.5%	2.5%		
2000 to 2004	-0.9%	6.8%			2.6%	11.1%		
1979 to 2004	-1.2%	34.0%			-9.5%	24.4%		

Source: CBP analysis of Current Population Survey data

since 1995. In the rest of the state, the hourly wage of the typical Latino worker fell by 6.7 percent between 1979 and 2004.

In contrast, the growth in the hourly wages of Asian workers outpaced those of other racial and ethnic groups. The typical Bay Area Asian worker's hourly earnings increased 25.1 percent between 1979 and 2004, driven primarily by a 21.3 percent increase during the boom years in the second half of 1990s. The wage of the typical Asian worker in the rest of the state increased by a substantial 19.4 percent between 1979 and 2004, although the rise was steady over the 25-year period.

While the typical white worker tends to earn more than typical workers of other races and ethnicities, the gap tends to be narrower in the Bay Area than in the rest of the state.

Furthermore, between 1979 and 2004, the gap did not change much for Bay Area black and Asian workers (Figure 4). However, the gap grew substantially for Bay Area Latinos over the same period. In the rest of the state, the gap widened for both black and Latino workers.

The Bay Area's Foreign-Born Workers Fare Better Than in the Rest of the State

One of the most striking differences between the Bay Area and the rest of the state is reflected in the earnings of foreign- versus US-born workers. The hourly wages of foreign-born workers in the Bay Area are much higher than those of their counterparts in the rest of the state, especially for earners at the high end of

“The typical foreign-born worker in the Bay Area earned 41.7 percent more than the typical foreign-born worker in the rest of the state in 2004.”

the wage distribution.⁷ The typical foreign-born worker in the Bay Area earned 41.7 percent more than the typical foreign-born worker in the rest of the state in 2004 (Table 10). The gap was even higher for high-wage foreign-born workers: the typical high-wage foreign-born worker in the Bay Area earned nearly 50 percent more than the typical high-wage foreign-born worker in the rest of the state.

The wage gap between foreign-born workers and their US-born counterparts is much narrower in the Bay Area than in the rest of the state for workers in the middle and high end of the wage distribution. The typical foreign-born worker in the Bay Area earned 77.5 percent of the typical US-born worker, while foreign-born workers at the 80th percentile in the Bay Area earned 86.0 percent as much as high-wage US-born workers.

The Bay Area’s foreign-born workers differ dramatically from foreign-born workers in the rest of the state in terms of race and ethnicity, education, and types of jobs they hold. These differences help explain why foreign-born workers fare better in the Bay Area than in the rest of the state.

Half of foreign-born workers (49.9 percent) in the Bay Area were Asian in 2004, compared to less than one-quarter in the rest of the state (Table 11).⁸ In contrast, one-third of foreign-born workers (33.0 percent) were Latino in the Bay Area, compared to three in five (61.9 percent) in the rest of the state. Since the typical wage for Asian workers is significantly higher than for Latino workers, a higher proportion of foreign-born Asian workers helps explain the higher earnings of the Bay Area’s foreign-born workers.

The Bay Area’s foreign-born workers also have substantially higher levels of educational attainment than their counterparts in the rest of the state. More than two of every five Bay Area foreign-born workers had at least a bachelor’s degree in 2004, compared to less than one in four in the rest of the state. Similarly, fewer than two out of every five (37.4 percent) of the Bay Area’s foreign-born workers had no more than a high school degree, as compared to three in five (60.2 percent) foreign-born workers in the rest of the state.⁹

The Bay Area’s Asian and Pacific Islander Population Is Diverse

Nearly one in five Bay Area residents is Asian or Pacific Islander, according to the most recent decennial census. However, the Asian and Pacific Islander populations are by no means monolithic, with communities differing, for instance, by immigration history, educational levels, and linguistic isolation. The largest Asian populations in the Bay Area are Chinese, Filipino, Vietnamese, and Asian Indian. The diversity of these communities is not reflected in this report due to sample size limitations of the data sets used.

The most recent decennial census gives a sense of the differences of well-being by individual Asian and Pacific Islander population. The median income of Bay Area Asian families was nearly \$75,000 in 1999, 4.7 percent higher than the median income of all Bay Area families. In contrast, the median income of Pacific Islander families in the Bay Area was approximately \$60,000, substantially lower than the median income of all Bay Area families. Asian Indian and Japanese families had median incomes of \$80,000 or higher, while Vietnamese and Korean families had median incomes below \$65,000. Thus, caution is warranted before extrapolating findings from this report to any one Asian or Pacific Islander population.

Median Family Income Varies Among Bay Area Asians and Pacific Islanders

	Median Family Income, 1999	Population, 2000	Percentage of Bay Area Population	Percentage of Bay Area Asian/Pacific Islander Population
All Races and Ethnicities	\$71,333	7,039,362	100.0%	
Asian	\$74,700	1,296,562	18.4%	97.3%
Chinese	\$74,285	473,146	6.7%	35.5%
Filipino	\$75,557	325,759	4.6%	24.5%
Vietnamese	\$60,230	144,234	2.0%	10.8%
Asian Indian	\$88,540	141,289	2.0%	10.6%
Japanese	\$84,109	75,313	1.1%	5.7%
Korean	\$64,429	56,102	0.8%	4.2%
Pacific Islander	\$59,969	35,529	0.5%	2.7%

Notes: These data exclude individuals of multiple races and ethnicities. Pacific Islanders include Native Hawaiians.

Source: US Census Bureau

Table 9: Median Hourly Wages by Race and Ethnicity (2004 Dollars)

	Bay Area							Rest of California						
	Asian and Other	Black	Latino	White	Asian and Other as a Percentage of White	Black as a Percentage of White	Latino as a Percentage of White	Asian and Other	Black	Latino	White	Asian and Other as a Percentage of White	Black as a Percentage of White	Latino as a Percentage of White
1979	\$15.99	\$15.07	\$16.15	\$18.93	84.5%	79.6%	85.4%	\$14.49	\$14.47	\$12.06	\$16.88	85.9%	85.7%	71.4%
1989	\$16.18	\$16.18	\$14.12	\$20.52	78.9%	78.9%	68.8%	\$14.71	\$14.71	\$10.67	\$17.65	83.3%	83.3%	60.4%
1990	\$16.82	\$16.12	\$14.01	\$20.22	83.2%	79.7%	69.3%	\$14.83	\$15.42	\$10.51	\$17.52	84.6%	88.0%	60.0%
1991	\$15.55	\$17.58	\$12.17	\$20.29	76.7%	86.7%	60.0%	\$14.77	\$15.55	\$10.82	\$17.58	84.0%	88.5%	61.5%
1992	\$14.51	\$16.49	\$14.51	\$19.79	73.3%	83.3%	73.3%	\$15.50	\$15.29	\$10.56	\$17.83	87.0%	85.8%	59.2%
1993	\$16.08	\$15.24	\$12.87	\$20.04	80.2%	76.0%	64.2%	\$15.45	\$15.45	\$10.62	\$18.02	85.7%	85.7%	58.9%
1994	\$16.39	\$16.00	\$11.64	\$19.39	84.5%	82.5%	60.0%	\$15.76	\$15.15	\$10.09	\$17.78	88.7%	85.2%	56.7%
1995	\$16.33	*	\$12.74	\$19.69	82.9%	*	64.7%	\$15.26	\$14.77	\$9.72	\$18.12	84.2%	81.5%	53.7%
1996	\$15.58	\$16.47	\$11.99	\$20.17	77.2%	81.6%	59.4%	\$14.56	\$14.44	\$9.89	\$17.81	81.8%	81.1%	55.5%
1997	\$16.92	\$15.80	\$13.03	\$20.35	83.2%	77.6%	64.0%	\$15.26	\$13.54	\$9.54	\$17.60	86.7%	76.9%	54.2%
1998	\$15.58	\$18.25	\$15.91	\$21.54	72.3%	84.7%	73.9%	\$15.05	\$14.69	\$9.91	\$17.88	84.1%	82.1%	55.4%
1999	\$18.14	\$17.00	\$13.60	\$21.80	83.2%	78.0%	62.4%	\$15.87	\$14.74	\$10.20	\$18.17	87.3%	81.1%	56.1%
2000	\$19.81	\$16.41	\$14.26	\$21.94	90.3%	74.8%	65.0%	\$16.45	\$14.26	\$10.53	\$18.56	88.7%	76.8%	56.7%
2001	\$19.08	\$16.01	\$13.26	\$23.48	81.3%	68.2%	56.5%	\$16.01	\$14.94	\$10.67	\$18.98	84.3%	78.7%	56.2%
2002	\$19.39	\$17.68	\$13.02	\$23.02	84.2%	76.8%	56.6%	\$15.76	\$14.25	\$11.29	\$19.25	81.8%	74.0%	58.6%
2003	\$19.00	\$18.96	\$14.38	\$22.59	84.1%	83.9%	63.6%	\$16.43	\$13.55	\$11.30	\$19.75	83.2%	68.6%	57.2%
2004	\$20.00	\$18.02	\$14.50	\$23.08	86.7%	78.1%	62.8%	\$17.31	\$15.00	\$11.25	\$20.00	86.5%	75.0%	56.3%
	Percent Change in Median Hourly Wage													
	Bay Area							Rest of California						
	Asian and Other	Black	Latino	White	Asian and Other	Black	Latino	White	Asian and Other	Black	Latino	White	Asian and Other	Black
1979 to 1989	1.2%	7.4%	-12.6%	8.4%	1.5%	1.7%	-11.5%	4.6%						
1989 to 1995	0.9%	*	-9.8%	-4.0%	3.7%	0.4%	-8.8%	2.6%						
1995 to 2000	21.3%	*	11.9%	11.4%	7.8%	-3.5%	8.3%	2.4%						
2000 to 2004	1.0%	9.8%	1.7%	5.2%	5.2%	5.2%	6.8%	7.8%						
1979 to 2004	25.1%	19.6%	-10.2%	21.9%	19.4%	3.7%	-6.7%	18.5%						

* Not reported due to insufficient sample size.

Source: CBP analysis of Current Population Survey data

Given their higher levels of education, it is not surprising that foreign-born workers are more likely to be employed in higher paying occupations in the Bay Area, as compared to the rest of the state. Nearly two in five foreign-born workers (37.4 percent) in the Bay Area were employed in management, business and financial or professional occupations, which had typical hourly wages of at least \$27.40 in 2004 (Table 12). In contrast, fewer than one out of four foreign-born workers outside the Bay Area (22.7 percent) were employed in these occupations.

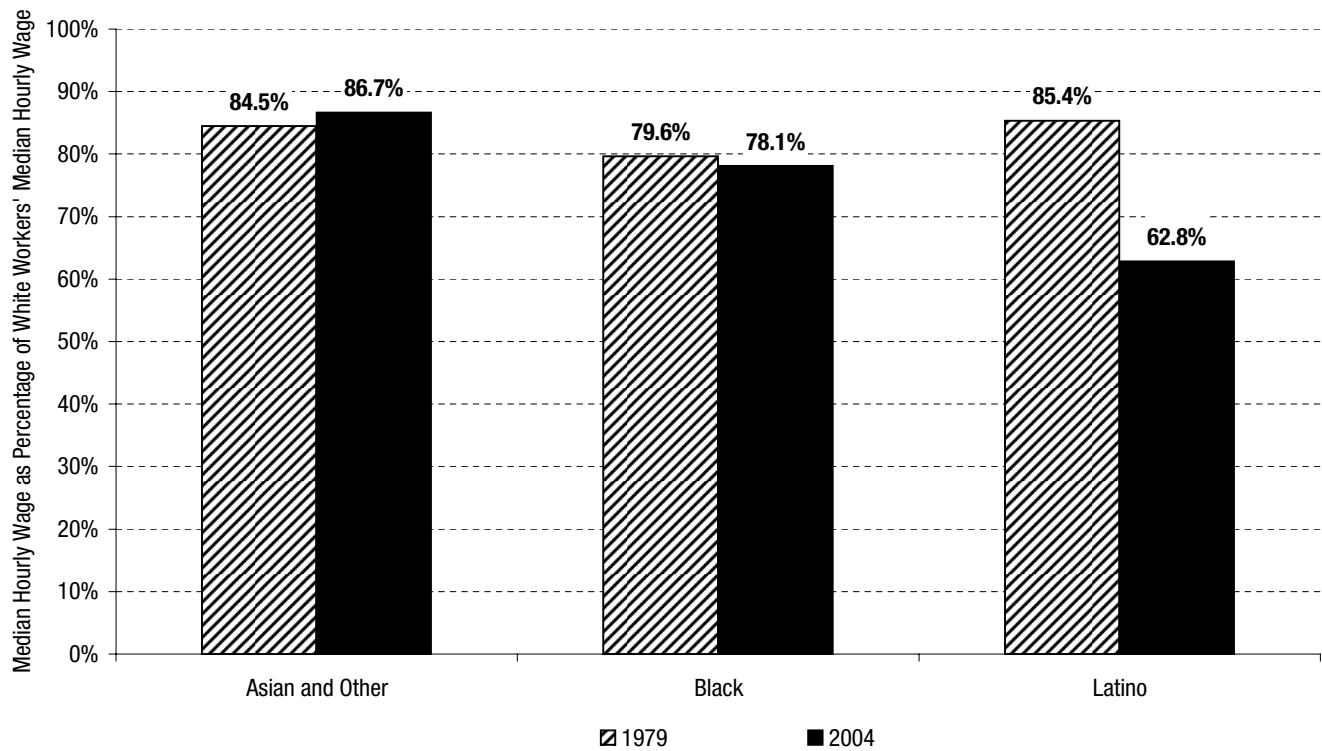
Bay Area Workers Earn More Across Industries and Occupations

Typical wages were higher in the Bay Area than in the rest of the state in major industry sectors in 2004 (Table 13). The largest

wage gap was for the professional and business services sectors, where the typical wage in the Bay Area was nearly 50 percent higher than for the rest of the state. This sector had the highest wage (\$25.47) and is the largest in the Bay Area economy. The typical wage for manufacturing jobs was also substantially higher in the Bay Area (\$22.00) than in the rest of the state (\$15.00).

Similarly, the typical wage for workers in major occupational categories was also higher in the Bay Area in 2004 (Table 14). The highest wages were for management, business, and financial occupations (\$28.85), as well as for professional and related occupations (\$27.40). Since the Bay Area has a large number of these higher-paid occupations, these differences help explain the Bay Area's higher overall wage structure.

Figure 4: Wage Gap Between Latinos and Whites Widened in Bay Area



Source: CBP analysis of Current Population Survey data

However, the Bay's Area Union Wage Premium Is Smaller Than in the Rest of the State

Workers represented by a union typically earn more than their non-union counterparts. This trend held true for California workers outside the Bay Area and for low-wage workers in the Bay Area, where low-wage union workers earned 18.2 percent more than their non-union counterparts in 2004 (Figure 5). Interestingly, however, there was no difference in the hourly wage

earned by Bay Area union and non-union workers at the middle of the wage distribution. Most striking, the hourly earnings of high-wage workers were actually lower for unionized workers than for their non-union counterparts, suggesting a lack of unionization in the Bay Area's highest wage sectors and occupations.

Hourly wages of union workers outstripped those of non-union workers across the earnings distribution in the rest of the state. Unionization status was most significant for low-wage workers, boosting hourly earnings relative to non-union workers by 41.7 percent in 2004. However, high-wage union workers outside the Bay Area earned 12.5 percent more than their non-union

Table 10: Wages of Foreign-Born Workers Are Closer to Those of US-Born Workers in Bay Area, 2004

Wages	Bay Area			Rest of California			Bay Area as a Percentage of Rest of California	
	US-Born	Foreign-Born	Foreign-Born as a Percentage of US Born	US-Born	Foreign-Born	Foreign-Born as a Percentage of US Born	US-Born	Foreign-Born
20th Percentile	\$13.57	\$9.25	68.2%	\$11.00	\$7.50	68.2%	123.4%	123.3%
Median	\$21.92	\$17.00	77.5%	\$18.46	\$12.00	65.0%	118.8%	141.7%
80th Percentile	\$36.06	\$31.00	86.0%	\$30.00	\$21.05	70.2%	120.2%	147.3%

Source: CBP analysis of Current Population Survey data

Table 11: Foreign-Born Workers in Bay Area Are More Educated, 2004

	US-Born		Foreign-Born	
	Bay Area	Rest of California	Bay Area	Rest of California
Race/Ethnicity				
Asian	8.5%	3.7%	49.9%	23.5%
Latino	14.2%	18.7%	33.0%	61.9%
Other	77.3%	77.6%	17.1%	14.6%
Education				
High School Degree or Less	20.2%	26.0%	37.4%	60.2%
Some College	30.0%	37.8%	18.2%	16.9%
Bachelor's Degree or Higher	49.8%	36.1%	44.4%	23.0%

Source: CBP analysis of Current Population Survey data

counterparts, in contrast to the experience of high-wage union workers in the Bay Area, who earned less than their non-union counterparts.

Far Fewer Bay Area Workers Have Low Hourly Wages, But Higher Costs Somewhat Offset the Value of Higher Earnings

Since Bay Area wages are generally higher than in the rest of the state, it is not surprising that far fewer workers in the Bay Area have very low wages. Only 3.6 percent of workers earned within one dollar of the state minimum wage in the Bay Area in 2004, as compared to 8.3 percent of workers in the rest of the state (Table 15). Similarly, only one in 20 Bay Area workers earned an hourly wage that was less than that needed to lift a family of three above the poverty level, as compared to one in 10 workers in the rest of the state. Approximately one in eight Bay Area workers (11.9 percent) did not earn enough to lift a family of four above the poverty level, a much lower proportion than in the rest of the state.

However, the poverty level is widely considered an inadequate measure of families' economic well-being, in part because the standard does not take into account regional variations in the cost of living. The California Budget Project's Basic Family Budget reflects actual regional variations in housing and other costs, making it possible to compare the purchasing power of wages in different regions of the state.¹⁰

The evidence is mixed as to whether workers in the Bay Area are better off than workers in the rest of the state after considering differences in costs of living. For example, the share of workers who earned hourly wages that were insufficient to meet the Basic Family Budget for a family of three – one parent and two

Table 12: More Foreign-Born Workers in Bay Area Work in High-Wage Occupations, 2004

Occupation*	US-Born		Foreign-Born	
	Bay Area	Rest of California	Bay Area	Rest of California
High-Wage	50.3%	43.7%	37.4%	22.7%
Medium-Wage	25.1%	29.1%	19.6%	17.9%
Low-Wage	11.5%	11.4%	21.2%	20.6%
Other**	13.0%	15.8%	21.8%	38.8%
Total	100.0%	100.0%	100.0%	100.0%

* High-wage occupations are management, business and financial, and professional and related; medium-wage occupations are sales and related and office and administrative support; low-wage occupations are service.

** Includes occupations for which median wages are not available for the Bay Area and/or the rest of the state.

Source: CBP analysis of Current Population Survey data

Table 13: Bay Area Workers Earned More in All Industries, 2004

	Bay Area Median Wage	Rest of California Median Wage	Bay Area as a Percentage of Rest of California
Professional and Business Services	\$25.47	\$17.00	149.8%
Manufacturing	\$22.00	\$15.00	146.7%
Wholesale and Retail Trade	\$17.22	\$13.35	129.0%
Financial Activities	\$23.06	\$18.59	124.0%
Leisure and Hospitality	\$12.00	\$10.00	120.0%
Educational and Health Services	\$20.20	\$17.78	113.6%
Transportation and Utilities	\$18.50	\$17.00	108.8%
Public Administration	\$25.00	\$23.07	108.4%
All Industries	\$20.00	\$16.00	125.0%

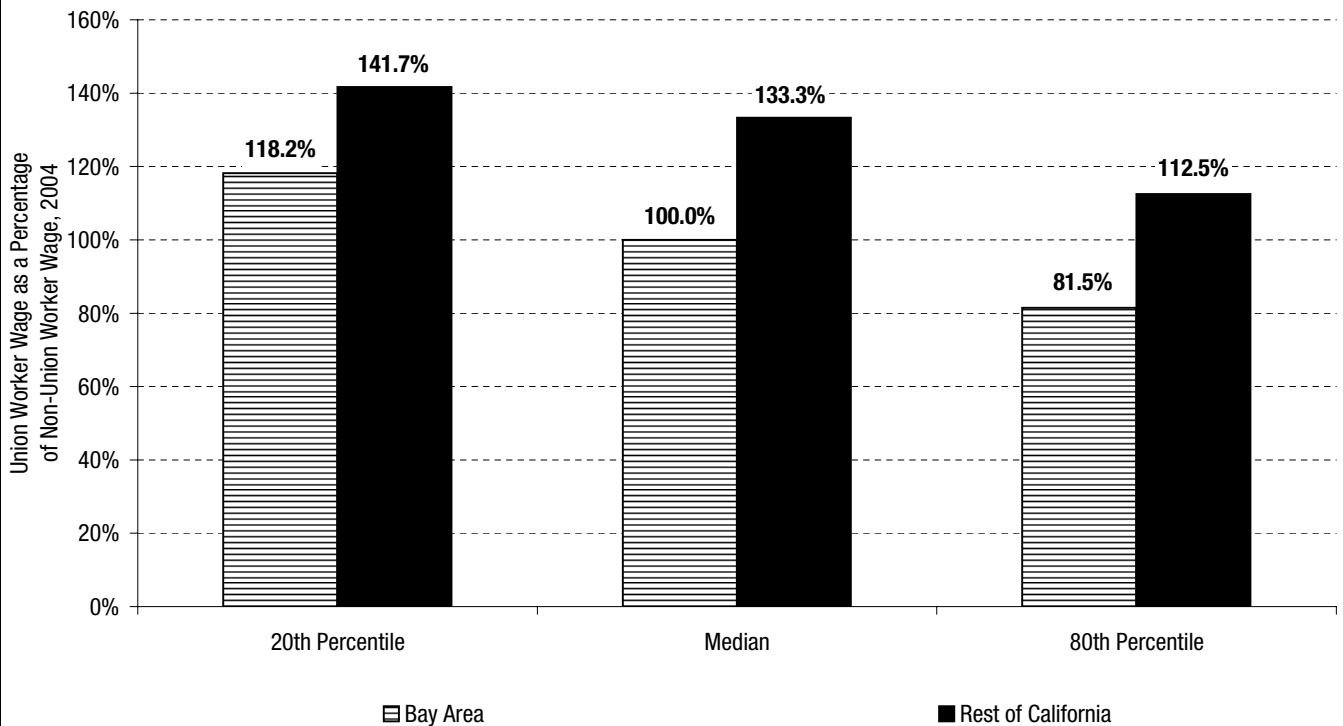
Source: CBP analysis of Current Population Survey data

Table 14: Bay Area Workers Earn More Across Occupational Categories, 2004

	Bay Area Median Wage	Rest of California Median Wage	Bay Area as a Percentage of Rest of California
Sales and Related	\$19.23	\$15.38	125.0%
Management, Business, and Financial	\$28.85	\$23.15	124.6%
Office and Administrative Support	\$17.25	\$14.42	119.6%
Professional and Related	\$27.40	\$24.48	111.9%
Service	\$10.50	\$9.90	106.1%
All Occupations	\$20.00	\$16.00	125.0%

Source: CBP analysis of Current Population Survey data

Figure 5: Union Wage Premium Is Lower in Bay Area



Source: CBP analysis of Current Population Survey data

children – was similarly large in the Bay Area and the rest of the state in 2004. Three out of four workers in the Bay Area (74.9 percent) did not earn enough to meet the Basic Family Budget for a family of three, based on actual costs in the region. Approximately the same proportion of workers (74.0 percent)

in the rest of the state earned wages insufficient to meet the statewide Basic Family Budget for a family of three. This comparison indicates that, for these workers, the high costs of living in the Bay Area can fully offset higher wages.

Another measure suggests that wages in the Bay Area do have higher purchasing power than wages in the rest of the state. This measure is the share of workers with wages lower than that needed to meet the Basic Family Budget for a two-parent family of four, assuming the other parent earns the same wage. The proportion of workers earning inadequate wages by this measure was substantially lower in the Bay Area (38.0 percent) than in the rest of the state (44.5 percent) in 2004.

Table 15: Fewer Workers Have Low Hourly Wages in Bay Area, 2004

	Bay Area	Rest of California
Percentage Within One Dollar of Minimum Wage	3.6%	8.3%
Percentage Below Poverty Threshold		
Family of 3	4.9%	9.6%
Family of 4	11.9%	19.6%
Percentage Below CBP Basic Family Budget		
Family of 3	74.9%	74.0%
Family of 4	38.0%	44.5%

Notes: California minimum wage is \$6.75. Poverty threshold wage equivalent for a family of three in 2004 (one adult and two children): \$7.32. Poverty threshold equivalent for a family of four in 2004 (two adults and two children): \$9.21. CBP basic family budgets are average from 2003 and 2005. CBP basic family budget for family of three in 2003 (one adult and two children): \$30.04 (Bay Area); \$24.75 (statewide). CBP basic family budget for family of four in 2003 (two working adults and two children): \$16.94 (Bay Area); \$14.69 (statewide). Source: CBP analysis of Current Population Survey data

INCOME, POVERTY, AND HOMEOWNERSHIP IN THE BAY AREA

Bay Area Incomes Are Significantly Higher Than Those Statewide

The Bay Area's higher hourly wages translate into higher household and family incomes. The income of the typical or median household – the household exactly at the middle of income distribution – was substantially higher in the Bay Area than that for the state as a whole in 2004 (Table 16).¹¹ Santa Clara County had the highest household income in the region for the seven counties with 2004 county-level data.¹²

Table 16: Bay Area Median Incomes Are Higher Than State Median Income, 2004

County	Median Family Income	Median Household Income
Alameda	\$71,910	\$59,325
Contra Costa	\$79,046	\$67,823
San Francisco	\$68,667	\$60,031
San Mateo	\$87,762	\$68,782
Santa Clara	\$85,581	\$74,509
Solano	\$68,793	\$57,334
Sonoma	\$73,994	\$62,206
Bay Area	\$77,697	\$64,611
California	\$58,327	\$51,185

Notes: Per US Census Bureau definitions, families do not include single persons, whereas households can. For this table, Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma Counties. Individual county data are not available for Marin and Napa Counties.

Source: US Census Bureau, American Community Survey

The median family income, which excludes the income of single individual households, was also higher in the Bay Area, as well as in the counties where county-level data are available, than for the state as a whole in 2004.¹³ Each of the seven counties with 2004 county-level data had a substantially higher median family income than the median for the state as a whole. San Mateo County led the region with respect to family income; the median family income in San Mateo County was \$87,762, 50.5 percent higher than the state's median family income of \$58,327.

Poverty Is Much Less Prevalent in the Bay Area

Not surprisingly, the Bay Area's higher incomes also translate into much lower poverty rates.¹⁴ Slightly fewer than one out of every 10 Bay Area residents (9.2 percent) lived in families with incomes below the federal poverty level (FPL) in 2004 (Table 17). In contrast, about one out of seven residents in the rest of the state (14.4 percent) had incomes below the FPL in the same year. Similarly, fewer Bay Area families had incomes below twice the FPL in 2004 than in the rest of the state (22.4 percent versus 34.9 percent). The share of children in families with incomes below the FPL was more than one-third lower than the share in the rest of the state in 2004, with 12.5 percent of Bay Area children living in households with incomes below the FPL, as compared to 20.2 percent of the children in the remainder of California. San Mateo County had the lowest overall and child poverty rates in the region.

Fewer Bay Area Families Are Working, But Poor

Higher incomes have also resulted in a smaller portion of working families in the Bay Area with incomes below twice the poverty level, as compared to working families in the rest of the state. One in seven Bay Area working families (14.2 percent) had incomes below twice the FPL in 2004 (Figure 6). This was more than one-third lower than in the rest of the state, where nearly one in four working families (22.8 percent) had incomes below

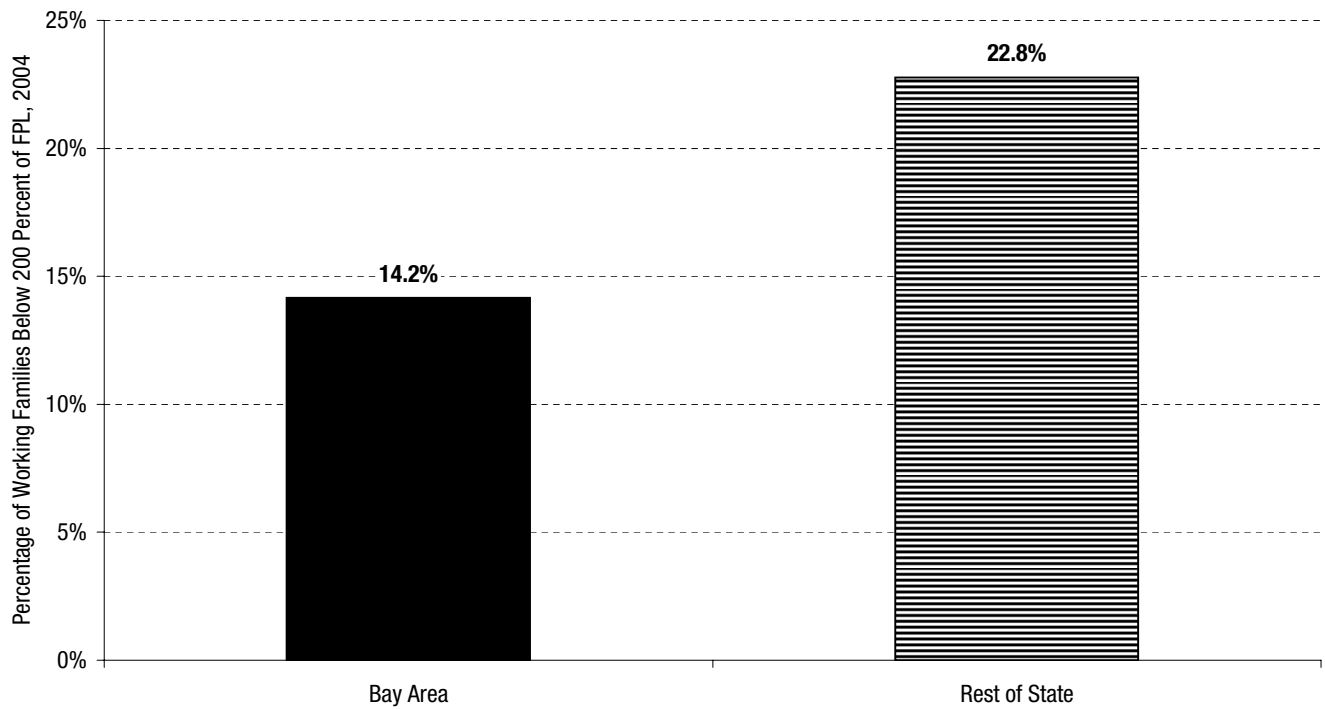
Table 17: Poverty Rates Are Lower in Bay Area Than in Rest of State, 2004

County	Percentage of Population with Family Income Below Federal Poverty Level (FPL)	Percentage of Population with Family Income Below 200% of FPL	Percentage of Children in Families with Incomes Below FPL
Alameda	11.4%	26.1%	17.1%
Contra Costa	9.9%	22.2%	12.2%
San Francisco	10.2%	24.9%	13.2%
San Mateo	5.2%	17.5%	4.9%
Santa Clara	8.7%	20.5%	11.1%
Solano	6.2%	20.8%	7.7%
Sonoma	8.1%	23.8%	12.9%
Bay Area	9.2%	22.4%	12.5%
Rest of California	14.4%	34.9%	20.2%

Notes: For this table, Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma Counties. Individual county data are not available for Marin and Napa Counties.

Source: US Census Bureau, American Community Survey

Figure 6: Bay Area Working Families Less Likely to Be Poor



Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working.

Source: CBP analysis of Current Population Survey data

200 percent of the FPL. However, like the poverty rate, this measure does not take into consideration the high cost of living in the Bay Area.

Child Poverty Is Relatively Lower in the Bay Area Than in the Rest of the State

Bay Area residents with incomes under the FPL are substantially less likely to be children than in the rest of the state (Table 18). Fewer than one in three Bay Area residents (32.4 percent) with incomes under the FPL were children in 2004, as compared to nearly two in five (39.0 percent) in the rest of the state. About one in five poor people were children in San Francisco (19.3 percent) and San Mateo (22.1 percent) Counties. In contrast, a higher percentage of poor Bay Area residents are elderly – twice as many in San Francisco County and more than twice as many in San Mateo County – than in the rest of the state.

Higher Homeownership Rates Defy High Housing Costs

Three in five Bay Area households owned a home in 2004, representing a slightly higher homeownership rate than the

statewide rate of 58.6 percent (Table 19). Homeownership rates were above the state's rate in Contra Costa, San Mateo, Santa

Table 18: Fewer Poor Bay Area Residents Are Children, 2004

County	Percentage of Population with Family Income Below FPL		
	Children (Under 18 Years)	Young and Working Age Adults (18 Through 64 Years)	Older Adults (65 Years and Over)
Alameda	37.5%	56.6%	6.0%
Contra Costa	31.9%	60.5%	7.6%
San Francisco	19.3%	69.3%	11.4%
San Mateo	22.1%	62.1%	15.8%
Santa Clara	32.0%	59.0%	9.0%
Solano	34.9%	57.1%	8.0%
Sonoma	37.7%	56.5%	5.8%
Bay Area	32.4%	59.6%	8.0%
Rest of California	39.0%	55.2%	5.8%

Notes: For this table, Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma Counties. Individual county data are not available for Marin and Napa Counties.

Source: US Census Bureau, American Community Survey

Table 19: Bay Area Homeowners Spend More of Their Income on Housing, 2004

County	Ownership Rate	Median Monthly Housing Cost (Owners)	Housing Affordability Index, September 2005	Percentage of Homeowner Households Spending 30% or More of Income on Housing	Percentage of Homeowner Households Spending 50% or More of Income on Housing
Alameda	58.1%	\$2,085	11	48.2%	19.2%
Contra Costa	69.3%	\$2,120	10	45.1%	16.3%
San Francisco	38.4%	\$2,472	9	49.0%	20.4%
San Mateo	61.8%	\$2,450	13	48.6%	19.9%
Santa Clara	60.9%	\$2,360	*	45.7%	18.0%
Solano	69.4%	\$1,740	*	46.9%	17.5%
Sonoma	66.3%	\$1,823	7	41.3%	18.2%
Bay Area	60.2%	\$2,191	12	46.6%	18.1%
California	58.6%	\$1,733	15	44.2%	16.9%

* Not available.

Notes: Housing cost data are for owners with a mortgage. Housing costs include mortgage payments, real estate taxes, insurance payments, utilities and fuels, condominium fees, and mobile home costs. For this table, Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma Counties. Individual county data are not available for Marin and Napa Counties. The Housing Affordability Index measures the percentage of households in an area that can afford to purchase a median-priced home.

Source: US Census Bureau, American Community Survey, and California Association of Realtors

Clara, Solano, and Sonoma Counties. However, fewer than two in five households in San Francisco own their home (38.4 percent), significantly lower than the statewide rate.

The Bay Area's higher homeownership rates stand in contrast to the region's extraordinary housing costs, which exceed those in most of the remainder of the state and, indeed, the nation. High costs mean many families are priced out of the market in the Bay Area by conventional measures. According to the California Association of Realtors Home Affordability Index, 12 percent of Bay Area households could afford the median-priced home in September 2005, lower than the statewide rate of 15 percent. In San Francisco and Sonoma Counties, less than one in 10 households had sufficient incomes to afford the median-priced home. In contrast, half (49 percent) of households in the country as a whole could afford the typical home.

For many households, however, the region's higher incomes help offset high housing costs. While many households that own their homes in California spend more than the recommended 30 percent of their income toward housing costs, only a slightly higher proportion did so in the Bay Area (46.6 percent) than in the state as a whole (44.2 percent) in 2004.¹⁵ Nearly one in five Bay Area households that own their homes (18.1 percent) spent more than 50 percent of their income on housing, slightly higher than in California as a whole (16.9 percent).

Interestingly, the housing cost burden is lower for the Bay Area's renters than for renters in the rest of the state, with higher incomes in the Bay Area tending to offset high rental costs (Table 20). Half of renters in the Bay Area (50.0 percent) spent more than the recommended 30 percent of their income on

housing in 2004, as compared to slightly more than half (52.7 percent) in the state as a whole. A slightly smaller share of Bay Area renters (25.1 percent) spent more than half of their income on housing than the share of renters in the state as a whole (26.8 percent).

Solano County's renters tend to spend more of their income on housing in the Bay Area, with lower incomes more than offsetting relatively low rental costs. Three in five renters (59.8 percent)

Table 20: Despite Higher Rents, Many Bay Area Renters Spend Less of Their Income on Housing, 2004

County	Median Monthly Renter Cost	Percentage of Renter Households Spending 30% or More of Income on Housing	Percentage of Renter Households Spending 50% or More of Income on Housing
Alameda	\$1,005	53.4%	28.5%
Contra Costa	\$1,127	57.6%	29.4%
San Francisco	\$1,125	44.6%	21.5%
San Mateo	\$1,142	44.8%	21.2%
Santa Clara	\$1,181	47.7%	21.9%
Solano	\$983	59.8%	34.0%
Sonoma	\$1,083	46.5%	19.6%
Bay Area	\$1,113	50.0%	25.1%
California	\$914	52.7%	26.8%

Note: Renter costs include rent, as well as utilities and fuels paid by the renter. For this table, Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma Counties. Individual county data are not available for Marin and Napa Counties.

Source: US Census Bureau, American Community Survey

spent more than 30 percent of their income on housing in 2004, and one in three (34.0 percent) spent more than half of their income on housing.

Low-wage renters face an especially steep rent burden in the Bay Area. On average, a single minimum wage worker in the Bay Area would have to work 106.3 hours per week to afford the Fair Market Rent (FMR) of a studio apartment (Table 21).¹⁶ A minimum wage worker in Sonoma County, which has the lowest-cost studio apartments in the region, would need to work 85.6 hours per week to afford the FMR of a studio unit.

CONCLUSION

Conventional wisdom holds that “a rising tide lifts all boats.” The San Francisco Bay Area’s high-tech boom during the late 1990s provides evidence that phenomenal economic growth does not necessarily raise the fortune of all workers. Many workers, especially high-wage workers, experienced strong wage growth, but wages for the region’s low-earning workers did not grow at all between 1995 and 2000. The economic boom, instead of “lifting all boats,” widened the gap between the hourly earnings of high-wage and low-wage workers.

Table 21: Minimum-Wage Workers Cannot Afford Fair Market Rents in Bay Area, 2005

County	Fair Market Rent (FMR)				Hours of Minimum Wage Work per Week Needed to Afford FMR			
	Studio	One Bedroom	Two Bedroom	Three Bedroom	Studio	One Bedroom	Two Bedroom	Three Bedroom
Alameda	\$945	\$1,132	\$1,342	\$1,870	107.7	129.0	152.9	213.1
Contra Costa	\$945	\$1,132	\$1,342	\$1,870	107.7	129.0	152.9	213.1
Marin	\$1,000	\$1,229	\$1,539	\$2,055	114.0	140.1	175.4	234.2
Napa	\$784	\$857	\$1,006	\$1,396	89.3	97.7	114.6	159.1
San Francisco	\$1,000	\$1,229	\$1,539	\$2,055	89.2	109.7	137.3	183.4
San Mateo	\$1,000	\$1,229	\$1,539	\$2,055	114.0	140.1	175.4	234.2
Santa Clara	\$942	\$1,107	\$1,313	\$1,889	107.4	126.2	149.6	215.3
Solano	\$784	\$857	\$1,006	\$1,396	89.3	97.7	114.6	159.1
Sonoma	\$751	\$914	\$1,154	\$1,638	85.6	104.2	131.5	186.7
Bay Area Average	\$932	\$1,114	\$1,345	\$1,868	106.3	126.9	153.3	212.9
Rest of State Average	\$717	\$828	\$1,010	\$1,412	81.7	94.3	115.1	161.0

Note: Fair Market Rents (FMRs), published annually by the US Department of Housing and Urban Development (HUD), represent the 40th percentile of shelter and utility costs by recent movers in a given area (FMRs are set at the 50th percentile for areas where affordable housing can be difficult to find). To obtain hours of minimum wage work needed per week to afford FMR, FMRs were translated into weekly rents, divided by 0.3 to yield weekly earnings needed to afford the unit, and divided by the minimum wage of \$6.75 (except San Francisco, where the minimum wage is \$8.62). The figure 0.3 is used because HUD considers it unaffordable for households to pay more than 30 percent of their income on housing.

Source: CBP analysis of US Department of Housing and Urban Development and Department of Finance data

TECHNICAL NOTES

Current Population Survey Outgoing Rotation Group

Hourly wage data are calculated from each year's Current Population Survey Outgoing Rotation Group (CPS ORG) files. The California Budget Project (CBP) used a sample from the CPS ORG data to analyze the hourly wages and the educational and demographic characteristics of respondents who:

- Were between 25 and 64 years of age;
- Were employed in the public or private sector (excluding the unincorporated self-employed);
- Worked within a range of 1 to 99 hours per week, or whose hours varied; and
- Earned hourly wages between \$0.50 and \$100 per hour (in 1989 CPI-U-RS adjusted dollars).

Limiting the sample to adults between the ages of 25 and 64 allows the analysis to focus on adults in their prime earning years.

The CPS ORG files that the CBP used were supplied by the Economic Policy Institute (EPI) and include several adjustments. The EPI imputed hourly wages for individuals who did not report an hourly wage, but who reported weekly earnings or whose weekly earnings were "top-coded" (for example, weekly earnings of any amount above \$2,884.61 in 2004 were "top-coded" as \$2,884.61). The hourly wage was calculated using weekly earnings divided by usual weekly hours. Additionally, the hours for workers who reported varying hours were imputed based on the usual hours worked of persons with similar characteristics.

In this report the CBP groups workers into four racial/ethnic groups: black, Latino, white, and Asian. Workers who report being Latino, Hispanic, or Spanish are classified as Latino irrespective of their race. The Asian category includes Pacific Islanders (including Hawaiian natives), Native Americans, Alaskan Natives, and those of multiple races. Approximately 90 percent of workers in this category are Asian and Pacific Islanders (not including those reporting multiple races). This grouping is necessary because of changes in how the US Census Bureau has collected racial data.

Since the wage data derive from a survey and only a portion of the population is surveyed, the wages cited in this report are estimates and could vary from the actual values due to sample error or other reasons. Reported historical or geographical differences in wages may not be statistically significant due to the sample size and wage distribution of the data. Differences in median wages for subpopulations (for example, for individuals of one race/ethnicity or for individuals within an industry sector) are generally less likely to be statistically significant. Thus, caution should be used when interpreting the data.

Current Population Survey March Supplement

The CBP used the Annual Social and Economic Supplement (ASEC) of the Current Population Survey to analyze income levels of working families.¹⁷ This report defines "working families" as those with a half-time worker or equivalent.¹⁸ Only families with at least one adult between the ages of 25 and 64 and at least one adult who is not prevented from working by illness or disability are included in this report. For this section of the report, families include single adults, married couples, and parents with children. These definitions allow the analysis to focus on families with adults who do not have significant impediments to work and who are in their prime working years.

ENDNOTES

¹ Unless otherwise noted, this report considers the San Francisco Bay Area to include Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

² National Bureau of Economic Research, Business Cycle Dating Committee, downloaded from <http://www.nber.org/cycles/july2003.html> on September 15, 2005.

³ This report analyzes earnings of workers between the ages of 25 and 64. For more details, see the Technical Notes.

⁴ Changes in how the US Census Bureau has historically collected racial data require Asians, Pacific Islanders (including Hawaiian natives), Native Americans, Alaskan Natives, and those of multiple races to be grouped together in order to report wage data consistently across time. Among the Bay Area workers analyzed in this report that fall into this category, 94.7 percent were Asian and Pacific Islanders (including Hawaiian natives) in 2004. A high but somewhat smaller proportion of workers in this category were Asian and Pacific Islanders (88.3 percent) in the rest of the state. Because of the predominance of Asians, this report refers to this category generically as "Asian" in the text.

⁵ Some differences discussed in this section may not be statistically significant due to the wage distribution and sample size of the data. Caution should be used when interpreting these changes.

⁶ These trends do not reflect differences in earnings between black men and black women. A recent study finds that many more Bay Area black male workers held low-wage jobs (defined as two-thirds the median regional wage) in 2000 than three decades before. Steven C. Pitts, Ph.D. and Steve Wertheim, MCP, *Black Workers in the Bay Area: 1970-2000* (UC Berkeley Labor Center: September 5, 2005), downloaded from <http://laborcenter.berkeley.edu/blackworkers/bayarea.pdf> on September 29, 2005.

⁷ Foreign-born workers include naturalized citizens.

⁸ In this section, "Asian" does not include workers of other races or ethnicities.

⁹ The sample size prevents reporting percentages of foreign-born workers in the Bay Area who lack a high school degree.

¹⁰ See California Budget Project, *Making Ends Meet: How Much Does It Cost to Raise a Family in California?* (September 2005). However, this report averages the 2003 and 2005 Basic Family Budget calculations as the standard of comparison since the most recent wage data available are for 2004.

¹¹ Most analyses in this report compare the Bay Area to the rest of the state. However, Census Bureau data do not allow this comparison for some statistics. For these statistics, presented in Tables 16, 19, and 20, the Bay Area is compared to the state as a whole.

¹² The Census Bureau's American Community Survey does not report county-level data for Marin and Napa Counties.

¹³ According to Census Bureau definitions, household income includes the income of all members of a household, which can include multiple families and single individuals. Family income includes the income of all related family members but excludes the income of single, unrelated individuals.

¹⁴ Federal poverty definitions do not take into consideration regional variations in cost of living.

¹⁵ According to the US Department of Housing and Urban Development (HUD), "Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care." Downloaded from <http://www.hud.gov/offices/cpd/affordablehousing/index.cfm> on November 15, 2005.

¹⁶ Based on the recommended standard that no more than 30 percent of a household's income should be spent on housing and the 2005 Fair Market Rent.

¹⁷ This supplement was formerly known as the Annual Demographic File or the March Supplement of the CPS.

¹⁸ This analysis combines the work effort of the head of household and the spouse, if present. The total work hours of head of household and the spouse must be at least 1,040 hours per year for a family to be considered "working."