Why Regions? Why Equity? Why Care?

Presentation by
Manuel Pastor
MetroNet
San Francisco, California
May 17, 2002
Goals of the Session

- Communicate the case for the inclusion of equity in a business-led regional strategy
- Consider the complexity of community-based regionalism and its variants as relevant to coalition-building
- Share experiences regarding best practices and real obstacles at moving communities and business to common ground
Why Regions?

- An unusual starting point: the wake of the Los Angeles civil unrest
- A sense that we needed to think broader and deeper
- A conclusion that regionalism was coming and that the debate was likely to bypass communities and their plans
Poverty in Context

Figure 1

Measured as percent of residents below poverty in tract.
But Are There Jobs?

Measured as jobs per 100 working-age residents in tract.
Complicating the Traditional Community Development Model

- **Drought**
  - Lack of investment
  - Departure of jobs

- **Leakage**
  - Lack of retail
  - Departure of middle class
Adding a Regional Perspective

Isolation

- Disconnection from regional economy, political power, and policy opportunities
- Lack of “bridging” social capital to connect to key sources of power

External Pressures

- Housing prices driven by larger economy
- Transportation system decided elsewhere
- Rate of employment growth and job quality set in larger economy
The Promise of Regionalism

- Connecting to new resources
- Affecting broad policies that structure the environment
- Building new coalitions – but how?
Three Reasons to Care

Three ways to motive concern:

- Good will – but this wears thin in a recession
- Riot insurance – but this paints picture of disfunction
- Mutual gains – which could link people and places together
Building Partners: Equity Can Be Good for Growth

Three routes from equity to growth:

- Diminished political and social conflict
- Improved basic education and human capital
- New markets for investors and communities
Strong Evidence from Developing World

- East Asian experience in which significant asset redistribution preceded growth
- Capital market imperfections in South Asia suggest potential
  - Macroeconomic instability, debt accumulation, and political conflict as cause
- Achilles heel of Latin American free market reforms – need for a “second generation”
What is Evidence from the U.S.?

Income Growth and the Change in Central City Poverty in 74 Metro Areas

Figure 6.1

- "Worst" Quadrant
- Median Change in Regional Income
- "Best" Quadrant
- Median Change in Central City Poverty
Growth and Equity Go Hand in Hand

Income Growth & Change in Metropolitan Inequality, 1980-90

Change in Metro Inequality, 1980-90

MSA Per capita Income Growth, 1979-89

Fitted line
What About International Trade?

- Regionalization of trade clusters and comparative advantage
- Trade & inequality vs. inequality & trade
Exports & Initial Poverty Rate

Export Performance by Initial Poverty Rate of Central City

Poverty rate, central city, 1990

- Export weak
- Export moderate
- Export strong
Export Performance & Initial Inequality

Export Performance of 69 Metro Areas, 1993-98 by Initial Measure of Central City Income Inequality

- **export weak**
- **export moderate**
- **export strong**

Income Inequality, 1990
Trade Clusters & Income Inequality

Trade Clusters and Initial Central City Income Inequality

- Trade Winner
- Trade Loser
- Domestic Oriented
- Import-Resistant

Income Inequality, 1980
Predicting Trade Winners & Strugglers

**Important Predictive Variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Direction</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>% foreign-born</td>
<td>arrow</td>
<td>positive</td>
</tr>
<tr>
<td>% college-educated</td>
<td>arrow</td>
<td>positive</td>
</tr>
<tr>
<td>per capita income</td>
<td>arrow</td>
<td>negative</td>
</tr>
<tr>
<td>degree of inequality</td>
<td>arrow</td>
<td>negative</td>
</tr>
<tr>
<td>city size</td>
<td>arrow</td>
<td>positive</td>
</tr>
</tbody>
</table>

| explanatory power               |            | 49%   |
Exports Bring Higher Wages

Export Share and Relative Wages in Los Angeles County

regression line for wages as a function of export share

expwag
Trade Winners & Strugglers by Place

Figure 9.
Geographic Location of Trade Benefits in Los Angeles County, 1990
Trade Winners & Strugglers by Ethnicity

Trade Winners:
- Anglos (62.15%)
- Latino (20.74%)
- African-American (7.00%)
- Asian (9.55%)
- Other (0.56%)

Trade Strugglers:
- Anglos (16.08%)
- Latino (58.28%)
- African-American (19.16%)
- Asian (5.91%)
- Other (0.58%)
Who’s on the Trade Train?

Getting on board with the Alameda Corridor

Figure 9: Geographic Location of Trade Benefits in Los Angeles County, 1990

Trade effects on labor market areas (PUMAs):
- Trade Struggler
- Trade Neutral
- Trade Winner
New Markets

- Untapped consumer potential (with unmet demand from 25 to 60%)
- Unique business investment opportunities with ready workforces
- Populations that actually want smart growth – affordable housing, transit-dependent, urban villages
Business for Equity: Go, Team!

- The business case can be made
- There’s gold in them there hills
- Equity can be a way to better balance and channel environmental forces
Business for Equity: Contradictions

- Not all strategies are consistent with business interests and desires.
- The process can be messy – and you will not always be wanted.
- It requires a conscious strategy to equalize power – which involves diminishing yours.
So How to Lift the Bottom?

- Economic growth, partly through regional clusters
- Education and training
- New networks and connections
- Labor standards that set new floors
Why Growth? Why Clusters?

Tally of job cuts - Data from the Mercury News, Monday, May 21, 2001 - Mike Cassidy, "From paying off to laying off"

- Cisco
- Solectron
- Motorola
- Honeywell
- Intel
- Charles Schwab
- Hewlett-Packard
- MarchFirst
- Applied Materials
- Siebel Systems
- Yahoo

Number of Layoffs or Job cuts

Company
Education and Training is a Must

- In explaining the growing wage inequality, two main culprits:
  - globalization
  - technology
- Both raise the wage premium and
- Education can close the gap
But is Growth and Education Enough?

- The new economy, even for the educated, brings:
  - increased volatility
  - increased insecurity

- And it is actually producing low-skill jobs as part of the whole employment package

So where’s the “net”? 
Individual Isolation

- Skill mismatch
- Spatial mismatch
- Social mismatch – “bonding” and “bridging” social capital
## Neighbors, Networks, and Wages:

**IMPACT ON WAGES OF VARIABLES**

*Sample: Year-round, full-time male workers, L.A. County*

<table>
<thead>
<tr>
<th>Factor</th>
<th>Impact on Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>An additional year of education</td>
<td>+6.1%</td>
</tr>
<tr>
<td>An additional year of work experience</td>
<td>+2.5%</td>
</tr>
<tr>
<td>Being English-limited</td>
<td>-17.2%</td>
</tr>
<tr>
<td>Recent immigration (1980s)</td>
<td>-29.4%</td>
</tr>
<tr>
<td>Being African-American</td>
<td>-16.7%</td>
</tr>
<tr>
<td>Being Asian Pacific American</td>
<td>-9.8%</td>
</tr>
<tr>
<td>Being Latino</td>
<td>-14.2%</td>
</tr>
<tr>
<td>Living in Compton rather than Glendale</td>
<td></td>
</tr>
<tr>
<td>&quot;network effect&quot;</td>
<td>-14.0%</td>
</tr>
<tr>
<td>&quot;spatial mismatch&quot;</td>
<td>-1.0%</td>
</tr>
</tbody>
</table>
Calculating the Gap

Men N the Hood: Simulated Independent Effects of Spatial, Skill, & Social Mismatches on Hourly Wages, L.A. County

- Job Growth
- Spatial Skill Gap
- Network Quality

Hourly Wage

- $10.00
- $11.00
- $12.00
- $13.00
- $14.00
- $15.00

5% (Low) 
50% (Median) 
95% (High)
### Top Six Occupations With the Greatest Absolute Job Growth in California, 1998-2008

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Absolute Change</th>
<th>Percent Change</th>
<th>Education or Experience Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL MANAGERS, TOP EXECUTIVES</td>
<td>85,600</td>
<td>23.3%</td>
<td>WORK EXPERIENCE, PLUS A BACHELOR'S OR HIGHER</td>
</tr>
<tr>
<td>GENERAL OFFICE CLERKS</td>
<td>81,900</td>
<td>23.1%</td>
<td>SHORT-TERM ON-THE-JOB TRAINING</td>
</tr>
<tr>
<td>SALESPERSONS, RETAIL</td>
<td>77,800</td>
<td>18.4%</td>
<td>SHORT-TERM ON-THE-JOB TRAINING</td>
</tr>
<tr>
<td>CASHIERS</td>
<td>68,700</td>
<td>22.4%</td>
<td>SHORT-TERM ON-THE-JOB TRAINING</td>
</tr>
<tr>
<td>SYSTEMS ANALYSTS--ELECTRONIC DATA PROCESSING</td>
<td>53,600</td>
<td>90.2%</td>
<td>BACHELOR'S DEGREE</td>
</tr>
<tr>
<td>GUARDS AND WATCH GUARDS</td>
<td>52,000</td>
<td>41.6%</td>
<td>SHORT-TERM ON-THE-JOB TRAINING</td>
</tr>
</tbody>
</table>
Labor Standards and Struggles: Raising the Roof to Raise the Floor

- Another “net”: direct income policies, minimum and living wage
- Improved access to health insurance
- Basic labor standards
- Paths for unionization & representation
Creating a Mutual Model

• Getting to “yes” requires face-to-face, race-to-race, and space-to-space discussions

• Civic engagement is crucial
  • But engagement is not the same thing as absence of conflict – and conflict can bring positive change
Community-based Regionalism

- Include community residents and leaders as primary actors
- Approach neighborhood challenges and opportunities from regional perspective
- Emphasize regional equity as primary goal
- Involve coalitions of community and regional actors
Key Assets for Communities at Regional Tables

- The people and leadership of the community-based groups – the development of community entrepreneurs and planners
- Ongoing initiatives, history, and advocacy
- Relationships with City agencies, regional planners, advisory boards
- Relationships with emerging regionalist voices, including collaboratives
Understanding Equity as a Starting Point

• Risks of different regionalisms: economy, environment, and equity

• And within equity: municipal, labor, and community-based approaches

• Keeping the focus on a community agenda is tough

• Can take away time and energy for other people’s agendas

• Communities need to be selective: focus, focus, focus
Equity in Recession: From Dot.com to Dot.bomb?

Bay Area County and California Unemployment Rates

Source: http://www.calmis.ca.gov/htmlfile/subject/Ifatable.htm
Focus on the Long-term

- Is equity a cyclical luxury, to be raised only at business cycle peaks?
- How do we make the case for the real long-term competitive advantages of equity planning?
- Do regional approaches have long-term promise for communities or is this a fad?
Is There a Happy Ending?

We need collaboration & conflict
- We need to define an agenda and realistic alternatives – and fight to have those be part of the dialogue

We can put together the pieces
- We must honestly share our experiences around regional approaches, success & frustration

We can tell the story
- We can develop the narrative and moral voice of the region, defining a new common ground