

# Cases for Economic Equity

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October 2023

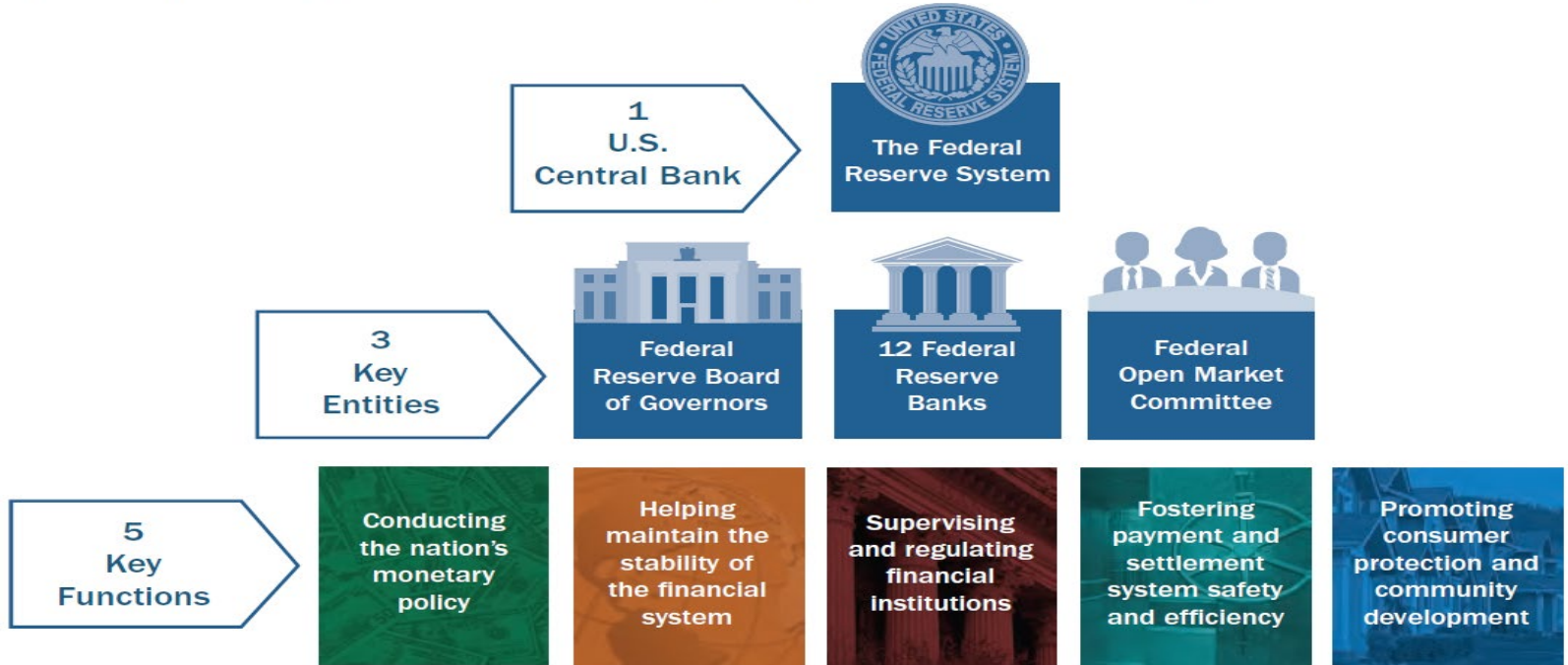
\*The views are the views of the author and do not reflect the views of the Federal Reserve System\*

# Overview

- **The Role of Community Development**
- **Cases for Economic Equity**
  - Historical: Dr. King’s Economic Equality Message is Still Relevant Today
  - “Deferred” Maintenance in Human Priorities: FRAM Oil Filter Commercial
  - Resource-Based: ALICE Framework
  - Economics: Business Benefits of Equity
- **Barriers to Economic Equity**
  - Skills and Competencies
  - Balance work and caring for family
  - Safe and fair workplaces
  - Financial Inclusion

## Figure 1.1. The Federal Reserve System

The Federal Reserve is unique among central banks. By statute, Congress provided for a central banking system with public and private characteristics. The System performs five functions in the public interest.



# Dr. King's Economic Equality Messages

- “Negroes have benefited from a limited change that was emotionally satisfying but materially deficient... Jobs are harder to create than voting rolls.”
- A job is not necessarily equivalent to security
  - Often undercut by layoffs, blacks are hit hardest
  - First fired and the last hired
  - Discrimination thwarts long-term employment, which negates building seniority
  - Blacks need full-time and full-year employment
  - Need promotion and development opportunities
  - Need employment that feeds, clothes, educates and stabilizes a family
  - Declining unemployment rates veil the lack of black's job quality
  - Employment instability reflects the fragility of Black ambitions and economic foundations

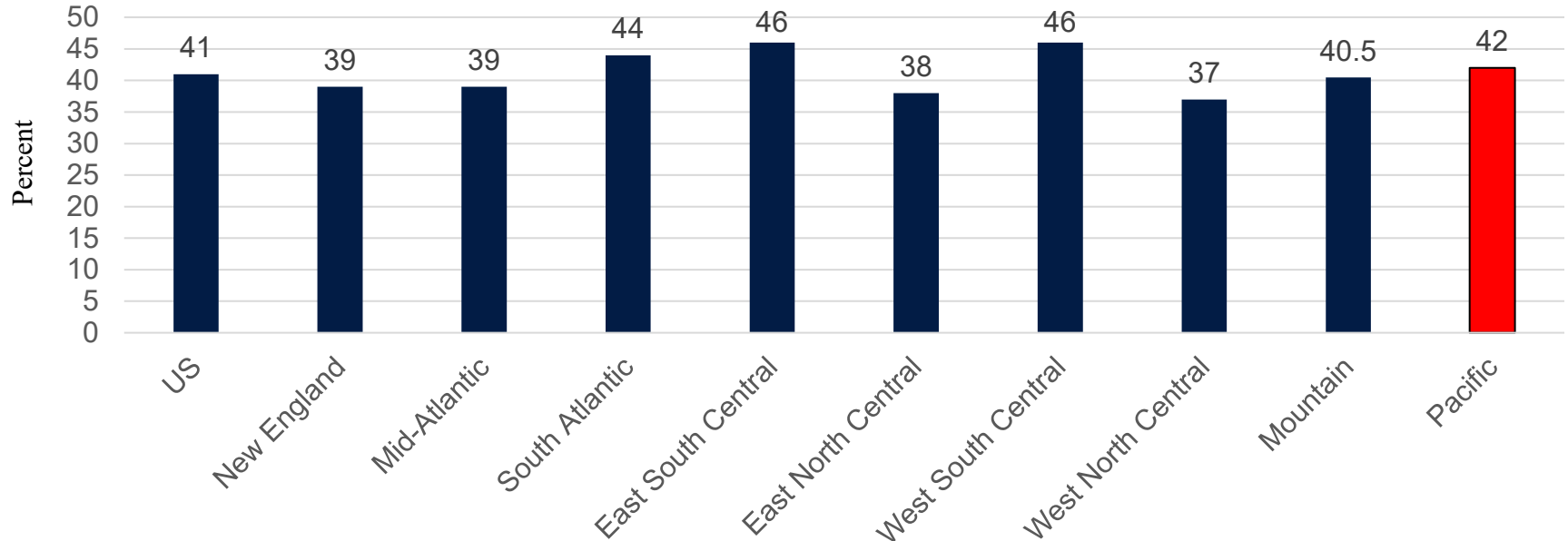
# “Deferred” Maintenance in Human Priorities: FRAM Oil Filter Commercial

- End “deferred” maintenance in human priorities investment (human and social capital)
  - Pandemic increased awareness that we need to expand infrastructure investments beyond bridges, roads, and broadband to [social capital](#), [mental health](#) and access to [quality child care](#).
  - These have costs, but they have benefits
  - These human priorities investments raise worker productivity

# Meet ALICE

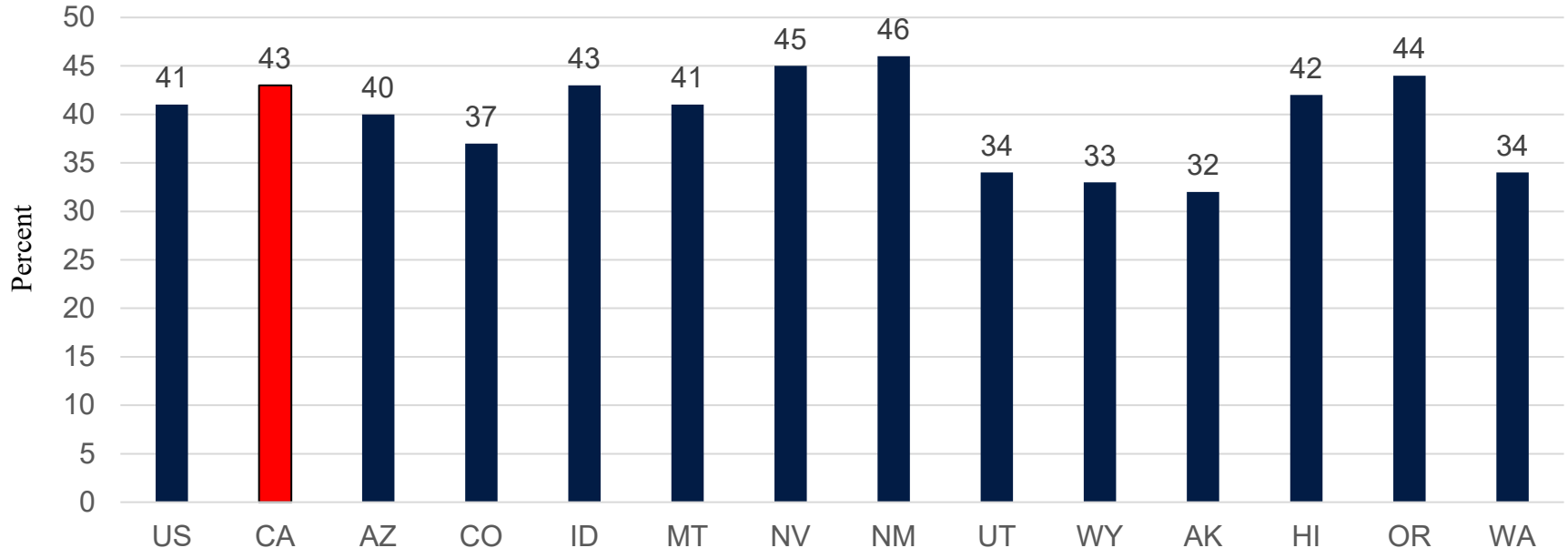
- All races, ages, ethnicities, and abilities, though households of color are disproportionately ALICE
- Income cannot keep up with the rising cost of goods and services
- Work two or more jobs and still cannot pay their bills
- Caregivers that have lack of assistance which make it difficult to find adequate work
- Live paycheck to paycheck and are forced to make impossible choices:
  - Pay the rent or buy food
  - Receive medical care or pay for child care
  - Pay utility bills or put gas in the car

## Percent of Households Below the ALICE Threshold in 2021 by Census Division



Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live. Values are the region’s median.

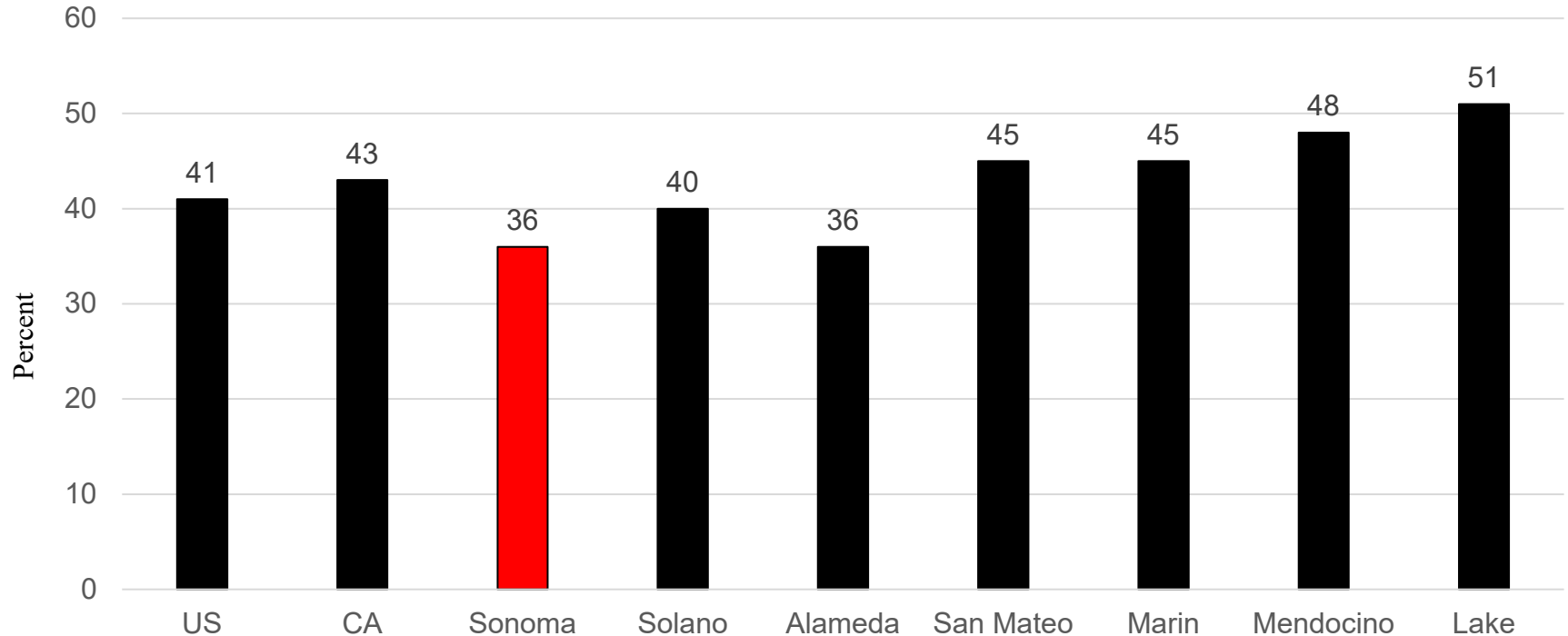
## Percent of Mountain and Pacific Households Below the ALICE Threshold in 2021



*Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live. Values are the region’s median.*



# ALICE Household for CA, Sonoma, and Surrounding Counties, 2021



*Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live.*

# Consequences of Households Living Below the ALICE Threshold

	Impact on ALICE	Impact on Everyone
<b>HOUSING</b>		
Substandard	Inconvenience and safety risks	Reduce local property values
Far from job	Longer commute, higher costs, less time	More traffic on road, workers late to jobs
Homeless	Disruption to job, family, education, etc.	Cost for shelter, foster care, health care
<b>CHILD CARE</b>		
Substandard	Safety and learning risks; health risks	Future burden on education system
None	One parent cannot work-foregoing immediate income and future promotions	Future burden on education system and other social services
Source: Figure 22 file:///C:/Users/H1WMR01/Downloads/2012 UWNNJ ALICE%20Report FINAL2.pdf		

## Consequences of Households Living Below the ALICE Threshold, cont.

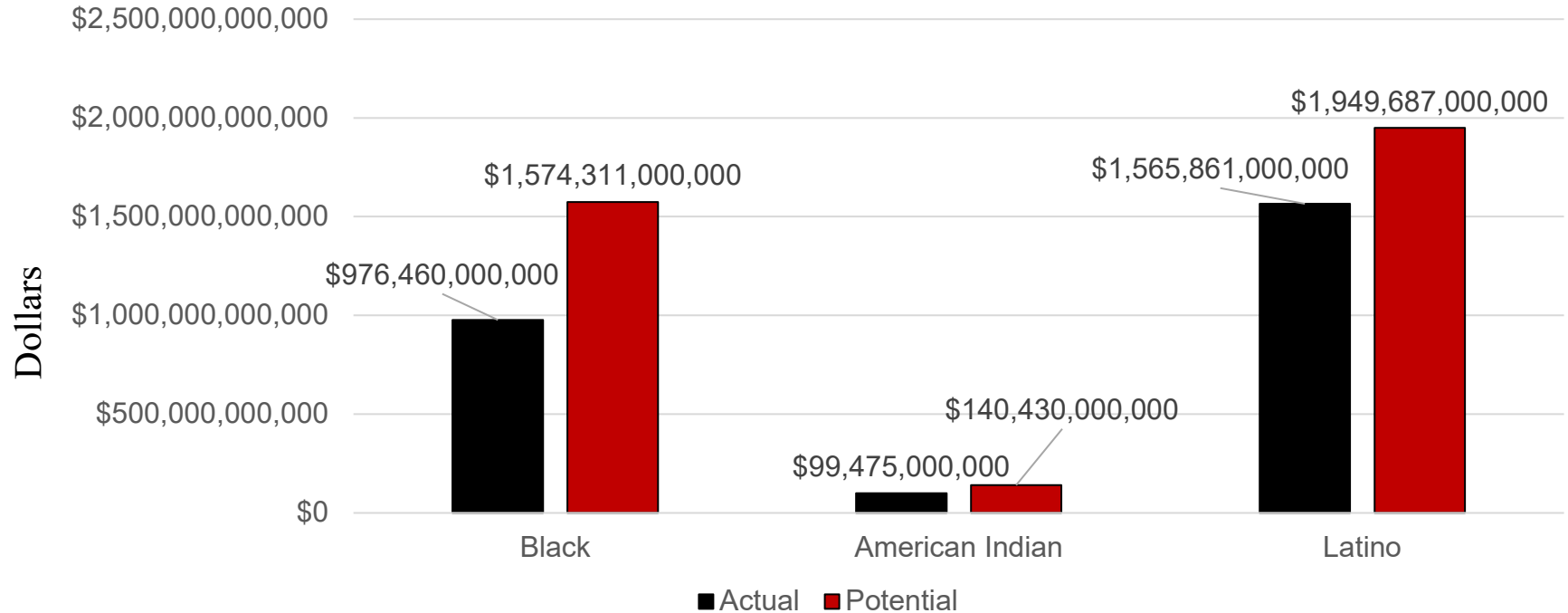
	Impact on ALICE	Impact on Everyone
<b>FOOD</b>		
Less healthy	Poor health, obesity	Less productive worker, future burden on health care system
Not enough	Poor daily functioning	Even less productive worker, future burden on social services
<b>TRANSPORTATION</b>		
Older car	Unreliable transportation and risk accidents	Worker late/absent from job
No insurance	Risk of fine, accident liability, license revoked	Higher insurance premiums, unsafe vehicles on the road
No care	Limit job opportunities/access to health care	Cost for special transportation

Source: Figure 22 file:///C:/Users/H1WMR01/Downloads/2012 UWNNJ ALICE%20Report FINAL2.pdf

## Consequences of Households Living Below the ALICE Threshold, cont.

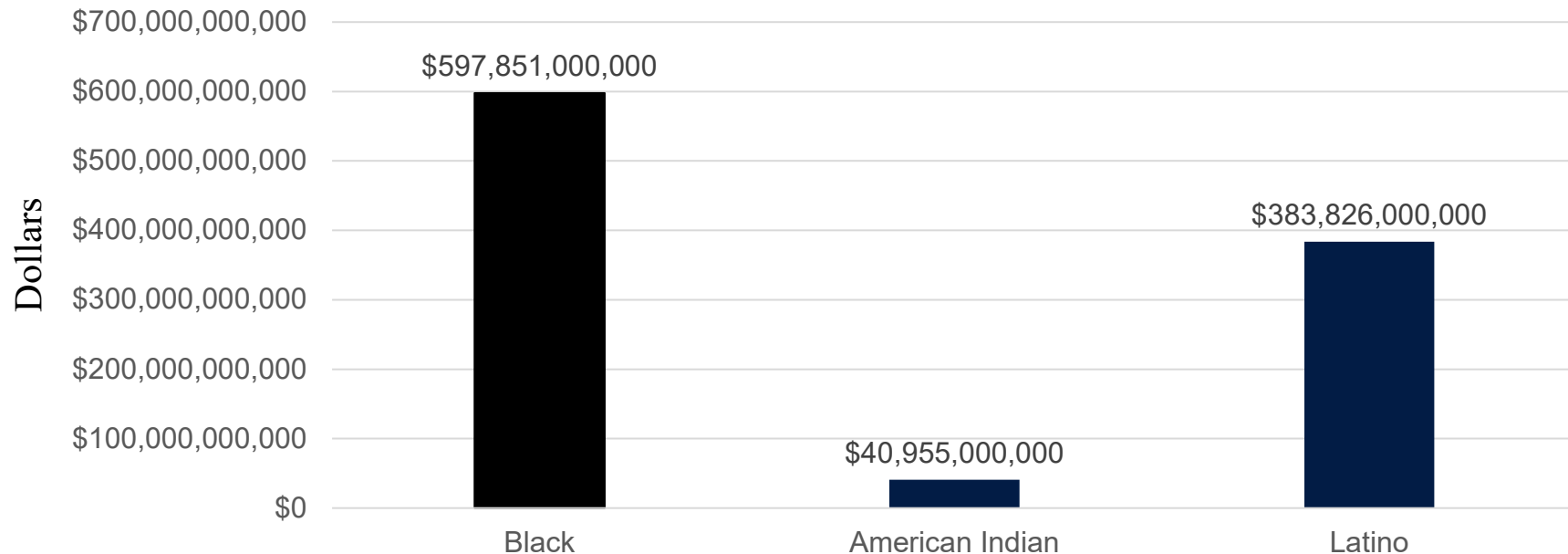
	Impact on ALICE	Impact on Everyone
<b>HEALTH CARE</b>		
Underinsured	Forego preventive health, more out of pocket expense; less healthy	Workers sick in the workplace, spread illness, less productive
No insurance	Forego preventive health care; use emergency room; less healthy	Higher insurance premiums; burden on health care system
<b>INCOME</b>		
Low wages	Longer work hours; pressure on other family members to work (drop out of school)	Tired and stressed worker; higher taxes to fill the gap
No wages	Frustration of looking for work and social services	Less productive society; higher taxes to fill the gap
No savings	Low credit score, bank fees, higher interest rates	Less stable financial system; more public resources need to address ALICE crises
Source: Figure 22 file:///C:/Users/H1WMR01/Downloads/2012_UWNNJ_ALICE%20Report_FINAL2.pdf		

# U.S. Actual and Potential Buying Power by Race and Ethnicity



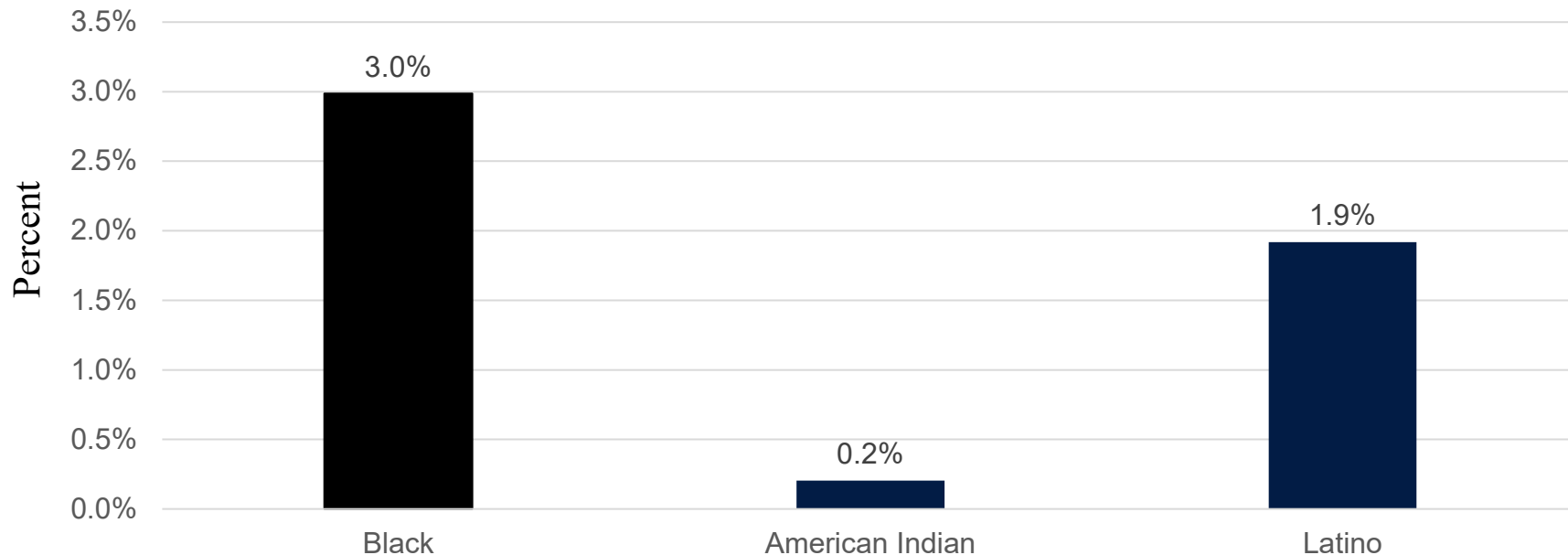
*Notes: Author's calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and "The Multi-Cultural Economy" published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.*

# U.S. Growth in Buying Power by Race and Ethnicity (Dollars: Potential Minus Actual)



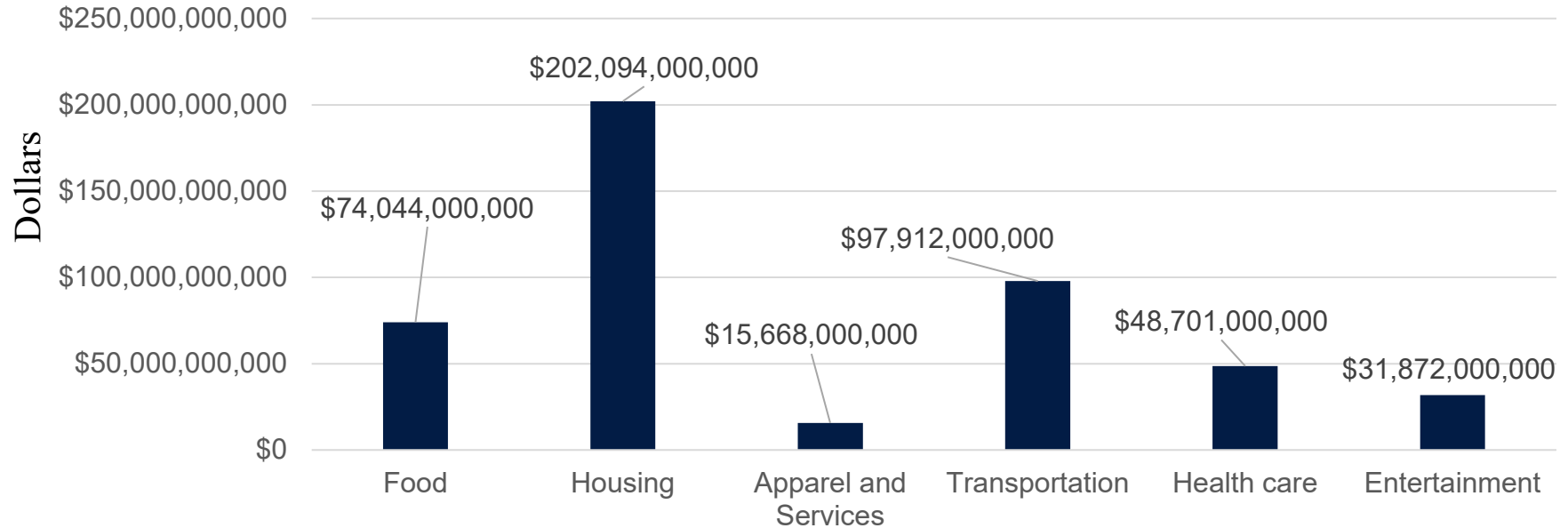
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## U.S. Growth in Buying Power by Race and Ethnicity, cont. (Percent of Real GDP: Potential Minus Actual)



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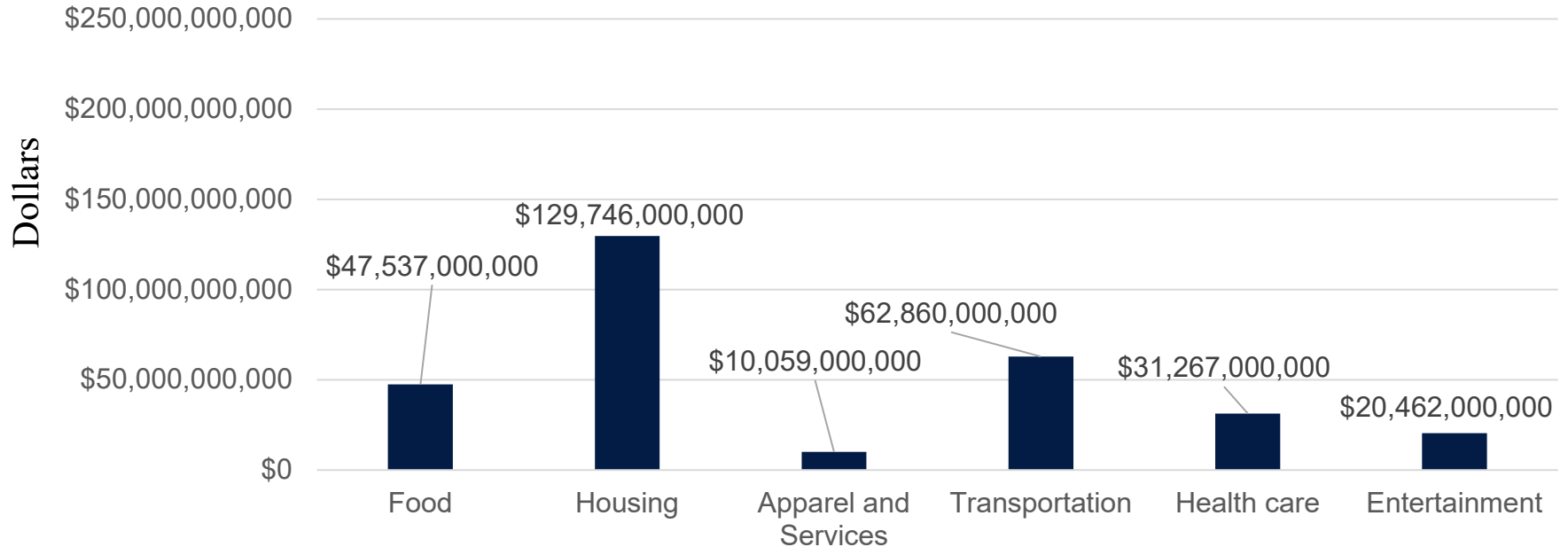
# U.S. Growth in Black Buying Power by Type of Household Expense



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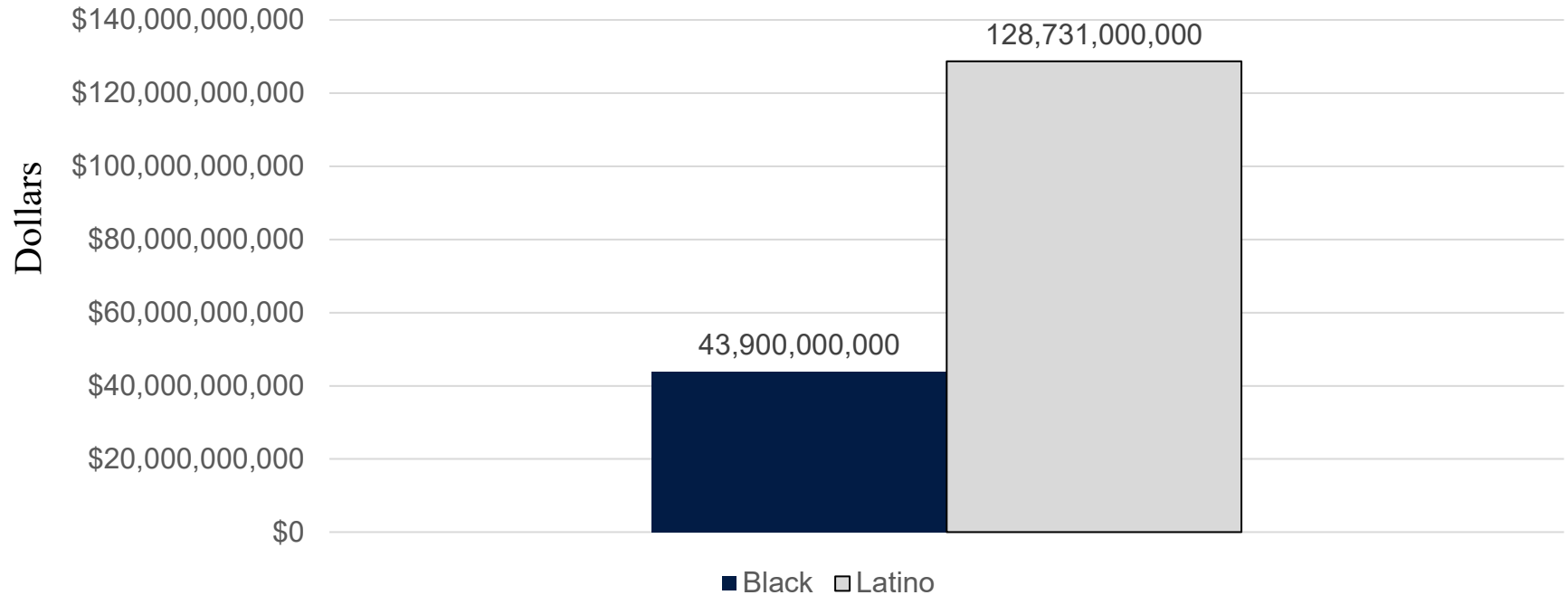


# U.S. Growth in Latino Buying Power by Type of Household Expense



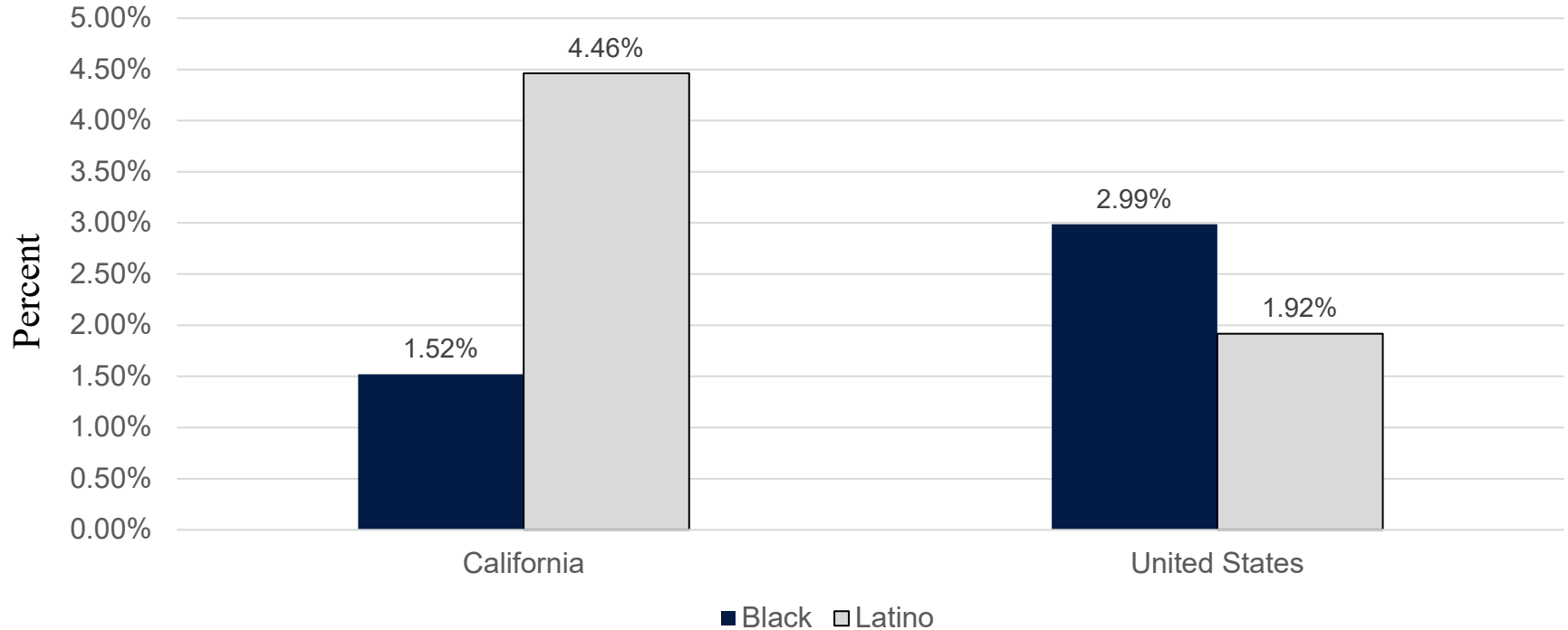
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## California's Latino and Black Buying Power (Dollars: Potential Minus Actual)



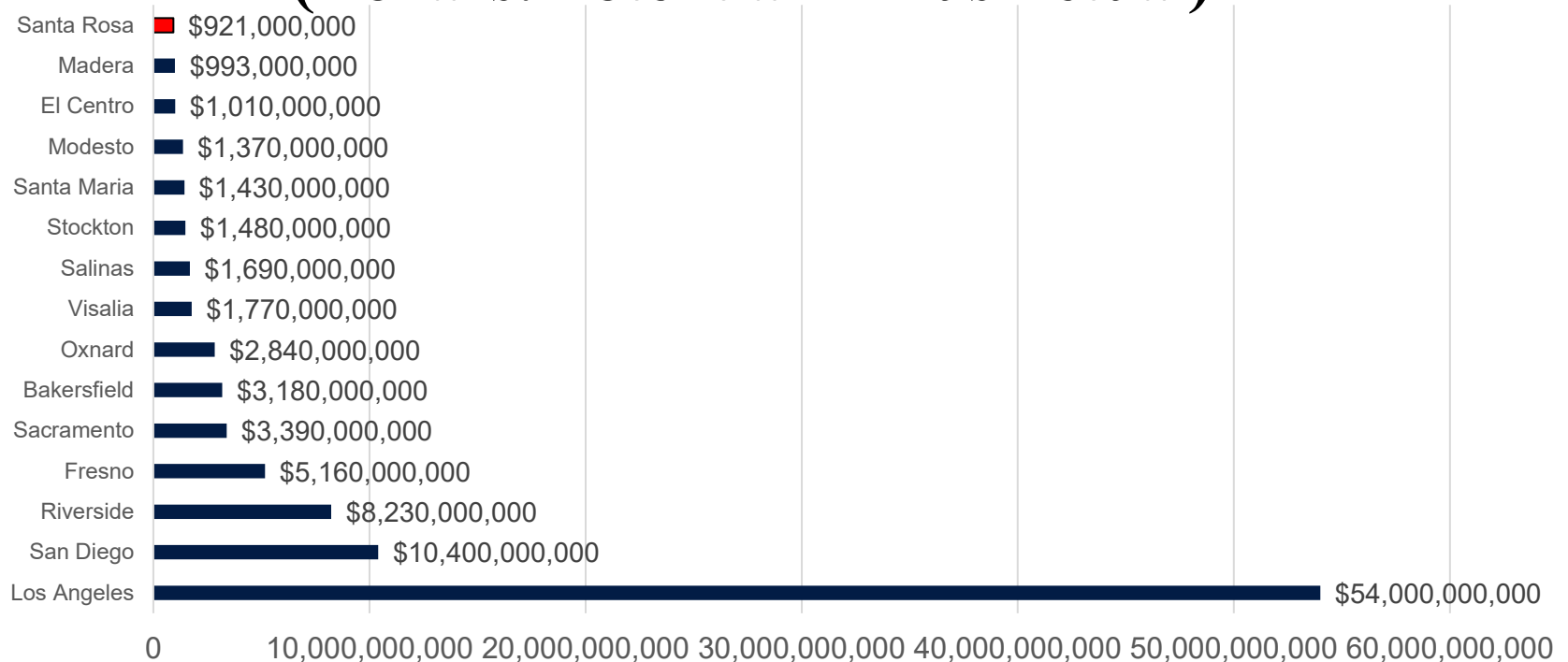
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## California's Growth in Latino and Black Buying Power (Percent of Real GDP: Potential Minus Actual)



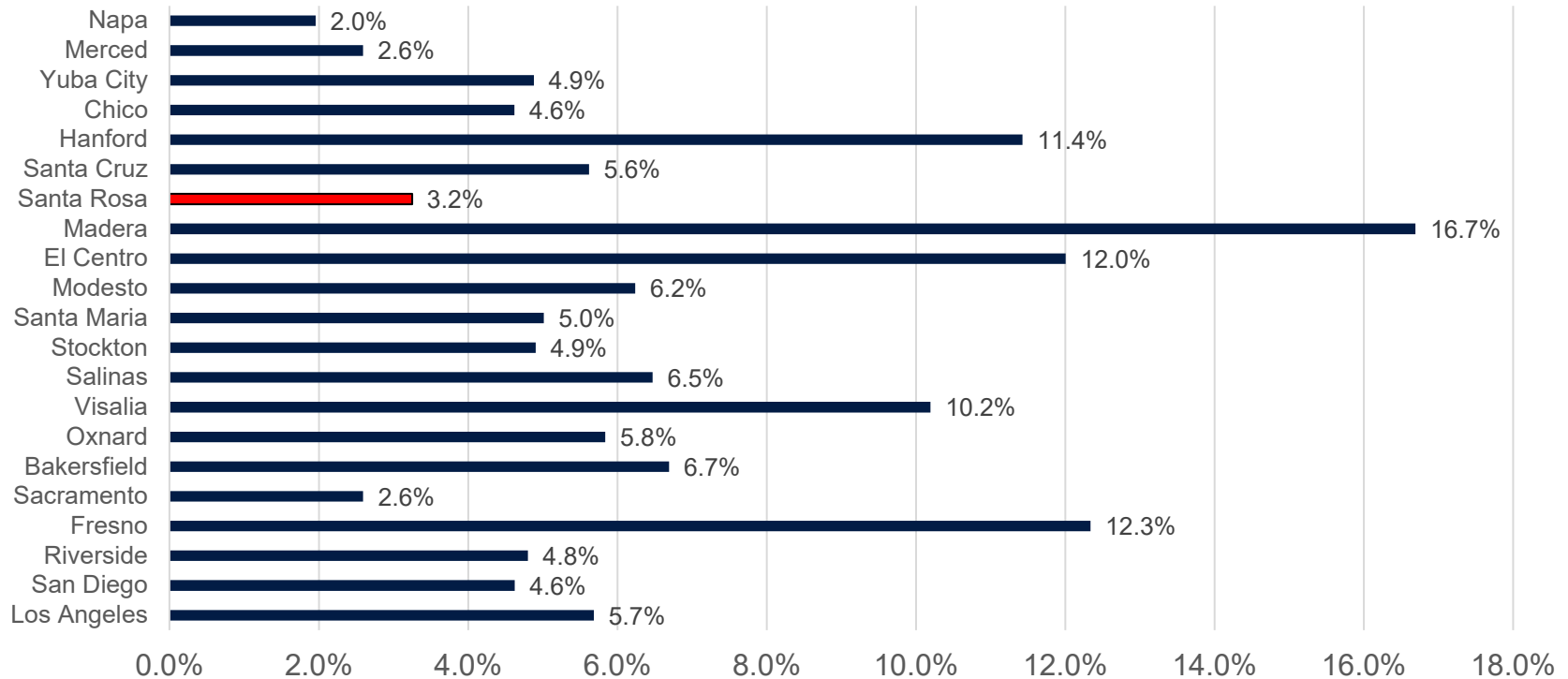
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# California Metro Area's Growth in Latino Buying Power (Dollars: Potential Minus Actual)



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# Removing Barriers to Work Removes Barriers to Equity

Not working	Potential Reasons
<b>Young Adults, usually defined as those between the age of 16 and 24.</b>	<ul style="list-style-type: none"> <li>• More inclined to doing gig work.</li> <li>• Lack of soft skills in combination with mental health issues make it harder to <u>remain</u> in the workforce. More young adults <a href="#">reported</a> anxiety during the pandemic than others.</li> <li>• <u>Misperception</u> of what work looks like. For example, expecting remote working opportunities even for entry level work.</li> </ul>
<b>Parents (especially mothers of young children)</b>	<ul style="list-style-type: none"> <li>• Access to safe and affordable childcare</li> <li>• Pandemic forced closures of many childcare businesses that haven't come back.</li> <li>• Lack of flexible schedules to accommodate with available childcare.</li> </ul>
<b>People with a <u>disability</u></b>	<ul style="list-style-type: none"> <li>• A lack of understanding of different types of disabilities</li> <li>• A lack of understanding about people's abilities and how they are a source of <a href="#">untapped talent</a>.</li> <li>• Face major barriers such as transportation</li> </ul>
<b>Justice Involved</b>	<ul style="list-style-type: none"> <li>• Limitations of where people can work.</li> <li>• Perceptions about people who are justice involved.</li> <li>• Reputational risk for employers especially in customer facing roles.</li> </ul>

# Summary and Conclusions

- ALICE hurts, we all hurt
- States and metro areas with biggest gains to equity have the following:
  - Lower black-white household income ratios
  - Regardless of race and ethnicity, they have larger ALICE populations
- Southern economies could experience the largest gains from pursuing economic equity.
- Businesses in the housing, transportation, and food sectors have the greatest potential for expansion.

## Questions for Your Consideration

- Are the ALICE estimates for Sonoma and surrounding areas a source of concern?
- How do we pursue equity? Increase access to work and consumption:
  - How do we ensure that workers have the skills and health care that provide lifelong economic security?
  - How do we accommodate workers' needs to balance their jobs and with caring for their families?
  - How do we ensure that all workers have opportunities in America's workforce and that our diverse population works in safe and fair workplaces?
- Common Thread: Strengthen financial inclusion such that all can thrive.



# Suggested Reading

- [The New Challenges to Economic Equity in 2023](#)
- [How Equitable Wealth Outcomes Could Create a Resilient and Larger Economy](#)
- [The Association between Black Buying Power and Greater Income Equity](#)
- [Beveridge Curve and Structural Barriers in the Labor Market](#)
- [Initial Reflections from the Institute for Economic Equity Director's First Listening Tour](#)
- [Five Ideas to Support Families amid Growing Wealth Inequality](#)
- [Unequal Starting Points: A Demographic Lens Is Key for Inclusive Wealth Building](#)

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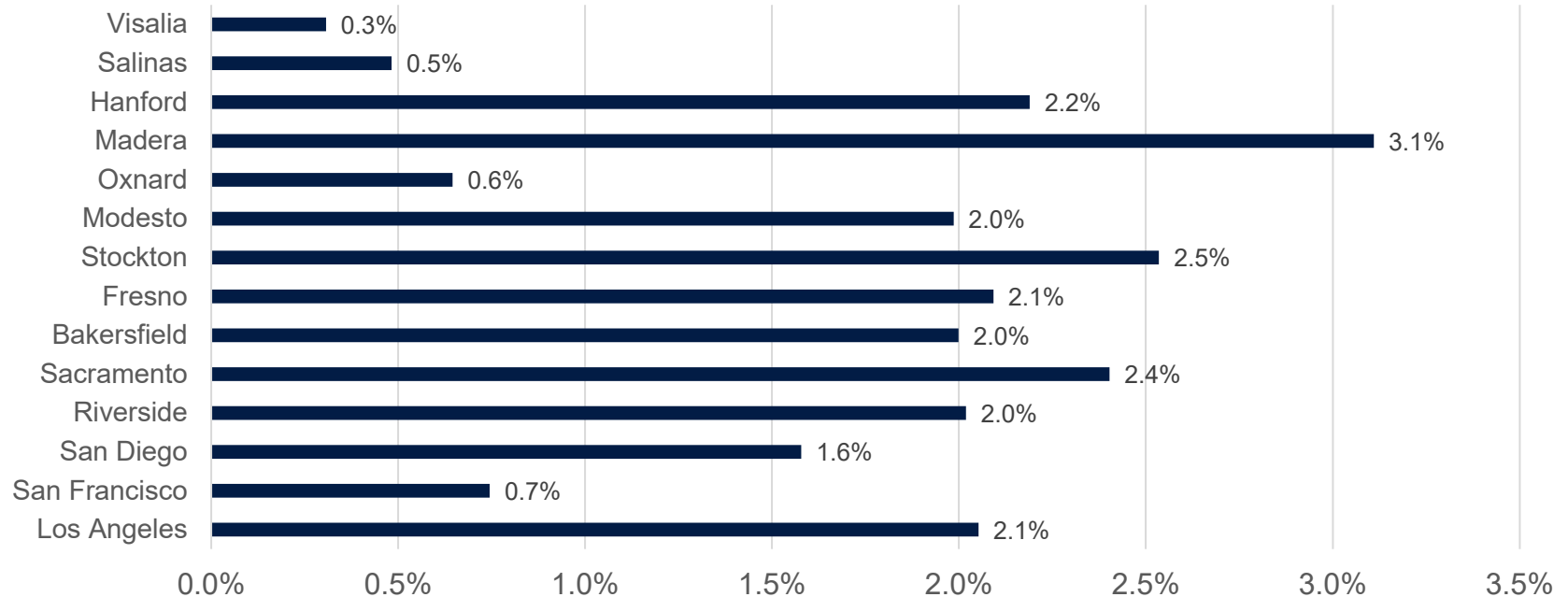
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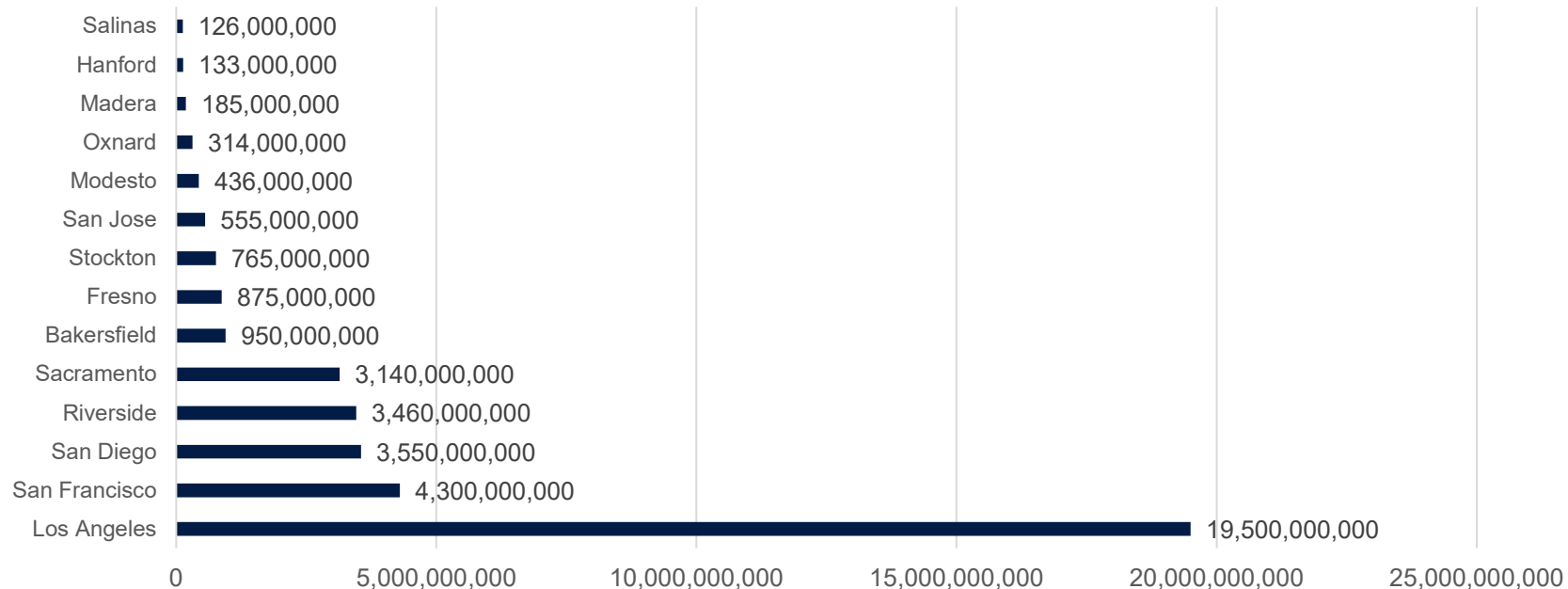
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# California Metro Area's Growth in Black Buying Power (Percent of Real GDP: Potential Minus Actual)



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