The State of Working Sonoma

Fall 2018

A Profile of Income & Racial Inequality, Poverty, and Low-Wage Employment

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Introduction

Overview

North Bay Jobs with Justice has commissioned this report. Our organization is a community-labor coalition comprised of 20 unions and community-based organizations affiliated with national Jobs with Justice that includes more than 40 chapters in 23 states. Currently, North Bay Jobs with Justice is engaged in numerous campaigns that address structural inequality and working poverty such as: a $15 an hour citywide minimum wage (by 2020) for numerous cities in the North Bay; support for low-wage workers seeking to form a union in the hospitality, waste management, and food processing industries; opposition to low-wage big box employers such as Wal-Mart; and support for municipal rent control and just cause eviction protections for tenants. Lifting up workers and families that have been left behind in poverty and whose wages are often not enough to pay basic needs should be at the forefront of creating prosperity for all residents of Sonoma County.
Executive Summary

Two Sonoma Counties

Sonoma County’s growing, diverse population is a major economic asset that will position the county to compete in the global economy. According to several metrics, Sonoma County is performing well and relatively better than the rest of the state in areas such as unemployment and poverty. However, our county faces significant challenges in the form of racial and economic inequities that, if addressed, could improve economic security for all residents. For example, unemployment levels are currently low, yet the majority of workers’ wages, once adjusted for inflation, have either dropped or stagnated over the last four decades, indicating that although people are working they’re earning less over time. Furthermore, poverty rates are lower in Sonoma County than in California as a whole, but about one in five residents live in poverty despite living in working families. The median household income, once adjusted for inflation, is actually lower in 2016 than in 2005, which means the median Sonoma County household has yet to fully recover from the Great Recession.

Economic and racial disparities have remained persistent. For example, we estimate that women of color in Sonoma County earn a lower median hourly wage at every educational attainment level than their white counterparts. If all Sonoma County residents are to succeed, women of color should be a priority for improving economic outcomes. Furthermore, today’s low-wage sector disproportionately employs more workers of color, workers with at least some college education, and workers ages 30 and older -- not the teenage workers commonly assumed to be employed in low-wage jobs. Working families, many of whom are headed by women of color, have been stuck in a labor market with limited opportunities to earn a living wage and lift themselves out of poverty. The future of work paints a grim picture for Sonoma County through 2024 not because there won’t be jobs, but because those jobs will be woefully inadequate for workers to provide for their families. In other words, job growth is expected to continue reproducing a labor market with a missing middle and fewer and fewer rungs on the ladder for true upward mobility and opportunities for prosperity.

The challenges described in this report are ones already being addressed by community leaders in the public, private, and social sectors with the goal of creating a more equitable and inclusive Sonoma County. Lifting up workers and families that have been left behind in poverty and whose wages are often not enough to cover basic needs should be at the forefront of creating prosperity for all who live here.
Key Findings

Work & Poverty

- The Great Recession’s effects on Sonoma County have lingered well through 2014 at a macro-level after having been declared over in 2010, showing that the recovery has yet to arrive for many who have been left behind as high poverty and low wages persist.
- More than one in four residents live below 200 percent of poverty; many remain unable to afford basic life needs and are vulnerable to sliding into deeper poverty.
- Almost one in five residents live in poverty despite living in a family with at least one working member. Forty percent of Latinos belong to a family that works and lives in poverty – the highest working poverty rate in Sonoma County.
- Women of color earn lower median hourly wages at every educational level as compared to their white counterparts.

Low-Wage Work

- With 33 being the median age of a low-wage worker in 2016 and three out five low-wage workers being 30 years or older, the average low-wage worker is not a teenager but increasingly older.
- In 2016, workers of color in Sonoma County accounted for about a third of all workers, yet workers of color constituted a majority of low-wage workers. In particular, one in three low-wage workers are men of color, the highest rate of any one group.

- One of two low-wage workers have at least some college education, and more than one in seven have a bachelor’s or advanced degree.

Future of Work

- The future of work is expected to be dominated by the service-sector with a high share of low-wage jobs and fewer opportunities for upward mobility into middle and higher-paying jobs.
- Analyzing the top ten occupations with the most job openings in Sonoma County from 2014 to 2024, we estimate that about 83 percent of these openings will pay less than $15 an hour. The median wage is expected to be about $13.09 an hour.
- Roughly three-quarters of job growth between 2014 to 2024 is expected to include jobs with median hourly wages below $20 an hour.

Income Inequality

- Once adjusted for inflation, the bottom 20 percent have seen their wages drop by double digits in the last four decades.
- In the middle range of distribution, workers between the 30th and 60th percentile have seen their wages stagnate during that time meaning that wages in 2016 have about the same purchasing power as wages in the late 1970s.
Wage growth has been concentrated in the upper 30th percentile. In particular, the top 10 percent of wage-earners in Sonoma County have seen a 26 percent increase in real wages since the late 1970s, once adjusted for inflation.

Housing Affordability

- About 47 percent of renter-occupied households were rent-burdened and a quarter of renter-occupied households were severely rent-burdened in 2016.
- The incidence of rent-burden was not isolated to lower income-households alone, as one in three households earning approximately the median household income in 2016 were cost-burdened, indicating that middle-income households are also feeling the pinch from the housing market.
- The rent-to-income gap has widened as renter household incomes have increased by 9 percent while rents have increased by 24 percent from 2000 to 2016.

Commuting to Work

- We estimate an hourly wage premium of about $4.67 for the average out-commuter as compared to local workers. For the average full-time worker employed at least 35 hours a week commuting out of the county, that commuter-wage premium translates into an additional $164 dollars a week, or about $654 extra a month.
Background

Geography and Demographics

This report is a profile of the demographic, economic, and educational conditions in the County of Sonoma, as represented on the map below. We begin by situating Sonoma County within its larger regional context. Unless otherwise noted, all data pertain to Sonoma County.

The North Bay is a region located in the northern part of the greater nine-county San Francisco Bay Area and is comprised of four counties: Sonoma, Napa, Marin, and Solano county. At over 1 million acres, Sonoma is the largest county in the Bay Area, with two coasts, the Pacific Ocean and the San Pablo Bay. According to the U.S. Census Bureau, the combined population of the North Bay was 1,327,553 in 2016 with Sonoma County having the largest population in the region with 497,776.
In 2016, white residents comprised almost two-thirds of the population. Since 2005, the white population has seen a slight increase of almost 2 percent. Latinos are the second largest ethnic group in the county at 26 percent of the population. Since 2005, the Latino population has grown by about 35 percent — the second fastest growing group in the county. Though a relatively smaller portion of the overall population, Mixed/other has been the fastest growing group in Sonoma County\(^1\) - a group that has grown at a rate of about 33 percent since 2005. In 2016, Asian/Pacific Islander and Black residents constituted about 4 percent and 1.4 percent of the population respectively with positive growth rates of almost 14 percent and 7 percent since 2005. The number of Native American residents dropped by almost 25 percent since 2005 -- a dramatic and sudden drop in population -- especially since Native Americans constituted less than 1 percent of the population in 2016.

Sonoma County’s industrial diversity has proven to be a strength in today’s global economy. The local economy’s top two industry clusters are health care and social assistance, the largest sector employing almost 32,000 individuals in 2017, followed by manufacturing, retail trade, accommodation and food services, and educational services.\(^2\) Though agriculture is not amongst the top employing industries, agriculture, in particular viticulture, is one of the signature industries in Sonoma County. Its gross regional product was estimated to be roughly $27.3 billion in 2016. Since the Great Recession (herein referred to as “the Recession”) in which the local economy contracted in 2008-2009, Sonoma County has rebounded, posting percentage growth rates year-to-year of 6.8 percent (2012-13), 6.5 percent (2013-14), 8.2 percent (2014-15), and 3.5 percent (2015-16).\(^3\)

\(^1\) See Data & Methods section for further definitions
\(^2\) Source: U.S.Census Bureau, Center for Economic Studies, LEHD
\(^3\) Source: U.S Bureau of Economic Analysis
Work and Poverty

Jobs-to-Population Ratio

Absolute job growth is an important statistic but may be an incomplete one. To further understand job growth, we consider whether jobs have kept pace with population growth in Sonoma County from 2005 to 2016. We provide a look at the State of California for further comparison. The graph below examines the percent change in the job-to-population ratio using 2000 as a benchmark. The results suggest that both Sonoma County and California were severely hit during the Recession as the job-to-population ratio dipped into double-digit figures. Since the Recession, Sonoma County has recovered on pace with the rest of the state. Despite the strong recovery, Sonoma County’s current cumulative growth is -3.1%, which remains below the 2005 jobs-to-population ratio.
Unemployment Rate
Unemployment has steadily decreased in Sonoma County since the end of the Great Recession in 2010 returning to pre-recession levels. Since 2005, Sonoma County has trended fairly parallel unemployment rates to California all the while experiencing relatively lower unemployment rates during that time period. Sonoma County has seen a strong recovery since 2010 with unemployment at 4 percent in 2016 -- a rate similar to 2005.

Source: California Economic Development Department, Labor Market Information Division
Unemployment Rate by Race/Ethnicity

Despite some progress, Mixed and other persons post highest unemployment rate while Whites have seen an increase in unemployment since 2005. Mixed/other, the fastest growing demographic group, have a higher unemployment rate relative to other groups in 2016. The unemployment rate, however, has increased for Whites in Sonoma County since 2005. Unemployment rates have decreased for Latinos, the second largest demographic group in Sonoma County, from 4.5 percent in 2005 to 4 percent in 2016.

Source: Integrated Public Use Microdata Series. Universe includes the civilian non-institutional population age 25 through 64. Certain groups and years excluded due to small size.
Below 200 Percent of Poverty

We consider the federal poverty threshold to have certain shortcomings as a single metric given that it does not account for geographic variation such as cost of living. As the report notes later on with respect to Sonoma County housing costs, we use the 200 percent poverty threshold to examine the economic insecurity of Sonoma County residents. The 200 percent poverty line is especially useful given that most public assistance programs use this threshold to determine program eligibility. In 2016, the percentage of people living below 200 percent of poverty and therefore economically insecure in Sonoma County was 27 percent. Since 2005, fewer people find themselves below 200 percent of poverty compared to other areas in California.
Below 200 Percent of Poverty
Race/Ethnicity

Despite gains for some, Latinos remain the most economically insecure since 2005. In Sonoma County almost half currently live below 200 percent of poverty — as was the case in 2005 meaning little has improved for Latinos since then to feel more economically secure. Blacks saw the largest increase with an almost 9 percentage point increase since 2005 and a current rate of almost 28 percent living below 200 percent of poverty. Mixed/other and Asian or Pacific Islanders were the only ones to experience a decrease. Whites experienced the lowest rates of people living at or near poverty with about one in five.
**Working Poor**

The common American view of poverty, best represented by the welfare reforms of the 1990s, claims that poverty is most effectively improved through work. Therefore, the measurement of the working poor, defined as people living in families whose income is below 200 percent of the federal poverty threshold⁴ and in which at least one family member aged 18 to 64⁵ was employed, can shed light on whether the labor market provides enough income for families to be lifted out of poverty⁶. Our estimates suggest that almost a fifth of Sonoma County residents in working families live at or near poverty. We find that the share of the working poor increased considerably during the Great Recession and into 2013 in Sonoma County, well after the official end of the Recession. The rate dropped to 19 percent in 2016 from a high of 21 percent in 2014. However, the current rate remains above pre-Recession levels⁷. Since 2005, the share of Sonoma County’s working poor has trended lower than the rest of the of California. Nonetheless, with about one in five people at or near poverty despite living in working families reveals the extent to which the labor market has failed to lift people out of poverty.

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⁴ The 200 FPL threshold is used to measure poverty in Sonoma County where cost of living and wages are typically higher than other places.
⁵ Work is defined as at least part-time (17 hours a week) or part-year (27 weeks a year).
⁷ FPL guidelines: Family of four at 200 percent of poverty would earn below $50,200 annually.
**Working Poor by Race/Ethnicity**

The data suggest that the share of people living at or near poverty and who belong to a working family is highest among Latinos. In 2016, Latinos had the highest working poor rate in Sonoma County at roughly 40 percent of Latinos belonging to a family that works and lives in poverty. Paired with the prior 200 FPL figure, we estimate that the overwhelming share of Latinos at or near poverty also work yet employment alone appears not be sufficient in lifting Latinos out of poverty. Conversely, Whites had the lowest working poor rate in 2005 and in 2016. We estimate that Whites in 2016 had a working poor rate of 10.7 percent. On the whole, people of color had higher rates of working poor than did Whites.

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**Working Poverty highest among Latinos in 2016 and unchanged since 2005**

*Working Poverty Rate by Race/Ethnicity, 2005 & 2016*

- **Asian or Pacific Islander**
  - 2005: 21.9%
  - 2016: 23.9%
- **Black**
  - 2005: 20.1%
  - 2016: 21.9%
- **Latino**
  - 2005: 40.1%
  - 2016: 40.2%
- **Mixed/Other**
  - 2005: 28.5%
  - 2016: 22.0%
- **Native American**
  - 2005: 30.7%
  - 2016: 30.7%
- **White**
  - 2005: 11.3%
  - 2016: 10.7%

Source: Integrated Public Use Microdata Series. Universe includes all civilian non-institutional persons excluding group quarters with at least one family member ages 18 - 64 who works part-time or part-year. Some groups were excluded due to small sample size.
Median Hourly Wage by Education

The median hourly wage in Sonoma County rises appreciably with each additional level of education attained. The median hourly wage for a worker with no higher than high school is a third that of a worker with a bachelor’s degree and above. Workers with at least a bachelor’s degree earned the highest wage rate in Sonoma County at about $35 an hour. A labor market trend since the 1970s, the wage premium for college graduates relative to high school graduates has increased from 30 to 55 percent since that time period.⁸

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Median Hourly Wage by Education, Race/Ethnicity, and Gender

In general, wages rise as educational attainment increases. However, important wage gaps can occur between racial and ethnic groups with similar levels of education. We find that women of color earn lower wages at every educational level than everyone else. Even at the lowest level of education -- lacking a high-school diploma -- women of color earn almost 40 percent less than white women, the highest earners within that educational block. People of color, men and women, earn lower wages than white workers with similar levels of education, except for men of color with a bachelor’s degree or more.

![Graph showing median hourly wages by race/ethnicity, gender, and education, 2016](chart)

**Women of color earn lower wages at every educational level**

*Median hourly wages by race/ethnicity, gender, and education, 2016*

Source: Integrated Public Use Microdata Series. Universe includes civilian non-institutional full-time wage and salary workers ages 25 through 64.
Real Median Household Income

Household incomes took a significant hit during the Great Recession as the local economy shed jobs and wages stagnated. From 2005 through 2016, Sonoma County households saw their incomes drop during the Recession and not start to increase until recently. Household incomes appeared to rebound post-Recession a bit more slowly than the rest of the state and have yet to return to 2005 levels.9 “The California Budget & Policy Project estimates that in 2017 two working parents employed full-time must each earn $23 an hour or an annual income of $81,353 to support a household with two children and cover all basic expenses without relying on public assistance; the 2016 median household income falls significantly below that amount.10

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9 Household incomes are adjusted for inflation to 2016 dollars.

Real Median Household Income by Race/Ethnicity

The real median household income has declined for all racial and ethnic groups except for mixed or other households and Native American households who saw appreciable increases in household incomes from 2005 to 2016. Once adjusted for inflation, incomes dropped for most groups with some of the largest drops experienced by Asian/Pacific Islander and Black households. Latino household income dropped from 2005 to 2016, though by a relatively slimmer margin, leaving Latino households in 2016 with the lowest median household income of any group at roughly $54,600 annually.

![Real Median Household Income](chart.png)

Source: Integrated Public Use Microdata Series. Universe includes all households and persons not in group quarters.
Household Income Distribution

One in three Sonoma County households earn less than $50,000 annually. Households earning between $25,000 to $50,000 a year proved to have the largest single share at 20 percent of all households earning that amount. More than one in five Sonoma County households earn almost twice the median household income.

Source: Integrated Public Use Microdata Series. Universe includes all households (excludes group quarters).
Household Income Distribution by Race/Ethnicity

Black and Latino households are estimated to have the greatest share in the bottom half of income distribution. In our analysis, 80 percent or more of Black and Latino households earn less than $100,000 annually - more than any other racial or ethnic group. The data suggest a strong lower-income skew in the distribution of Black and Latino households. Conversely, White households had the greatest level of parity across the distribution with the narrowest range relative to other groups. Raj Chetty’s research with the Equality of Opportunity Project forces us to reckon with the finding that upward mobility is highly racialized. Strikingly, White children born into the bottom fifth are more likely to reach the top fifth than Latino or Black children. The racial implications of inequality have long lasting impacts on future generations.

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Low-Wage Work

We define low-wage work as earning less than two-thirds of the median hourly wage for a given jurisdiction. In this case, low-wage workers in Sonoma County earn less than $16.10 an hour, two-thirds of the median hourly wage of $24.15. We estimate that the percentage of low-wage workers has increased by almost five percentage points from 28 to 33 percent between 2005 and 2016 - meaning that one in three Sonoma County workers are employed in the low-wage sector.
Age Distribution of Low-Wage Work

A common perception about low-wage work is the image of a teenager flipping burgers after school or on the weekends. In 2016, teenagers accounted for only 4 percent of all low-wage workers in Sonoma County, which is a decrease since the late 1970s when teenagers accounted for almost 10 percent of the low-wage sector. We estimate that in 2016 the majority of low-wage workers -- almost three in five -- were ages 30 and older. In 1979, the median age of a low-wage worker in Sonoma County was 28. In 2016, the median wage of a low-wage worker was 33. A significant share of the increase since the late 1970s can be seen in the rise of low-wage workers ages 40 to 64.

This age distribution also has implications for working families. We estimate that about 23 percent of heads of households, including spouses, are low-wage workers. Despite the perception that low-wage work employs primarily teenagers, the face of low-wage work is an increasingly older one.

Low-wage work is not teenage work. More than three in five low-wage workers are ages 30 and older
Age Distribution of Sonoma County Workers, 2016

Source: Integrated Public Use Microdata Series. Universe includes all wage and salary workers ages 18 - 64 (excludes group quarters).
Racial/Ethnic & Gender Distribution of Low-Wage Workers

In 2016, workers of color in Sonoma County accounted for about a third of all workers. Yet, workers of color constituted a majority of low-wage workers. In particular, one in three low-wage workers are men of color, the highest rate of any one group. By contrast, white men composed a third of all workers yet were only a quarter of all low-wage workers.

Source: Integrated Public Use Microdata Series. Universe includes all wage and salary workers ages 18-64 (excludes group quarters).
Low-Wage Work by Education

Sonoma County’s low-wage workers are less educated than the general workforce. However, we estimate that one of every two low-wage workers have at least some college education. Even more distressing, more than one in seven low-wage workers have a bachelor’s or advanced degree. Research from economist Lawrence Mishel finds that low-wage workers today are far more educated than they were in 1968.12 Mishel points to the decrease of the minimum wage since 1968, adjusted for inflation, as one of the primary reasons for the increase in college-educated low-wage workers.

Income Inequality

Real Wage Growth for Full-Time Workers

The national discussion of income inequality has shed light on the precipitous drop in income for the bottom 50 percent while incomes for the top 1 percent have skyrocketed. Sonoma County, like the rest of the nation, has seen a widening schism between low and high-wage workers, particularly since the late 1970s. Once adjusted for inflation, the bottom 20 percent have seen their wages drop by double digits in real terms in the last four decades. For the middle of the distribution, workers between the 30th and 60th percentile have seen their wages stagnate during that time, which means that workers’ wages in 2016 had about the same purchasing power as they did in the late 1970s. In Sonoma County, growth in real wages has been concentrated for those in the upper 30th percentile. In particular, the top 10 percent of wage-earners in Sonoma County have seen a 26 percent increase in wages since the late 1970s.

The transition from manufacturing to high-tech (i.e. innovation) -- with the Bay Area serving as a hub for the tech sector -- has meant a radical and structural shift in the American economy. The rise of the high-tech sector in the wake of the decline of manufacturing as the primary economic driver has exacerbated income inequality. Manufacturing as a sector directly and indirectly produced a significant share of middle-class jobs. Conversely, the high-tech sector directly produces a large number of high-wage jobs while indirectly creating a mix of high and low-wage jobs. Economist Enrico Moretti’s research suggests that for every high-tech sector job created, five new jobs are produced with two of those jobs high-wage, such as that of lawyers or doctors, while the remaining three are low-wage jobs such as retail sales representatives and restaurant servers. In other words, America’s primary driver of economic growth produces bifurcated job growth between high and low-wage jobs with few middle-wage jobs. The result is a ladder with rungs pulled farther apart making upward mobility much more difficult for Sonoma County workers.

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Wages have declined or stagnated for the bottom 60 percent of workers in Sonoma County.

Change in Real Wages in Sonoma County, 1979 to 2016

Source: Integrated Public Use Microdata Series. Universe includes all full-time wage and salary workers ages 18 to 64.
Gini Coefficient, 2005 to 2016

We measure income inequality using the conventional statistic known as the Gini coefficient. The Gini coefficient provides a useful one-value statistic that captures the concentration of income, or conversely, the deviation from perfect equality. The statistic ranges from 0 to 1 with 0 being perfect equality and 1 being perfect inequality. The Gini coefficients below provide a glimpse of income inequality by examining both household income and wage/salary inequality for Sonoma County. The results suggest that household income inequality is greater than wage/salary inequality and that household income inequality has been increasing since 2006. During that same ten year period, wage and salary inequality has also increased.

Source: Integrated Public Use Microdata Series. Universe includes all households (no group quarters).
Real Household Income Growth by Percentiles

From 2005 to 2016, household incomes have decreased for the bottom half of households. The recession affected households across income brackets and the data suggest that recovery has been largely unequal as those in the bottom half have struggled to return to pre-recession levels. Higher-income households, on the other hand, appear to have recovered from the recession having made gains in real income of 1.2 percent and 4.5 percent for the top 80th and 90th percentiles of households, respectively. Compared to the rest of the state, households in the bottom half of the income distribution for Sonoma County appear to be behind in real terms. The top 80th and 90th percentile of California households saw their real incomes grow by double digits -- significantly higher than the bottom half -- suggesting that recovery from the recession has been largely unequal across the state and in Sonoma County.

Incomes have declined for the bottom half of households unlike California
Real Household Income Growth, 2005 to 2016

Source: Integrated Public Use Microdata Series. Universe includes all households (not group quarters).
Future of Work

10 Lowest Paying Occupations, 2017

The ten-lowest paying occupations all have a median wage below $12 an hour. Fast food workers compose more than a third of the lowest-paying occupations. Cashiers, an occupation that has become increasingly automated, appears to be in relatively strong demand yet remains amongst the lowest-paid. In general, the service-sector plays a large part in paying the lowest wages to workers.

### Fast food a dominant player in lowest-paying jobs

#### Ten Lowest Paying Occupations, 2017

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number Employed</th>
<th>Median Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ushers, Lobby Attendants, and Ticket Takers</td>
<td>80</td>
<td>$10.28</td>
</tr>
<tr>
<td>Combined Food Preparation and Serving Workers, Including Fast Food</td>
<td>4,200</td>
<td>$10.34</td>
</tr>
<tr>
<td>Hosts, Restaurant, Lounge, &amp; Coffee Shop</td>
<td>530</td>
<td>$10.50</td>
</tr>
<tr>
<td>Cooks, Fast Food</td>
<td>1,180</td>
<td>$10.52</td>
</tr>
<tr>
<td>Gaming Dealers</td>
<td>460</td>
<td>$11.03</td>
</tr>
<tr>
<td>Dining Room &amp; Cafeteria Attendants &amp; Bartender Helpers</td>
<td>1,110</td>
<td>$11.11</td>
</tr>
<tr>
<td>Cashiers</td>
<td>5,840</td>
<td>$11.12</td>
</tr>
<tr>
<td>Telemarketers</td>
<td>80</td>
<td>$11.26</td>
</tr>
<tr>
<td>Parking Lot Attendants</td>
<td>110</td>
<td>$11.31</td>
</tr>
<tr>
<td>Amusement and Recreation Attendants</td>
<td>670</td>
<td>$11.43</td>
</tr>
</tbody>
</table>

Source: California Economic Development Department, Occupational Employment Statistics
Top Ten Occupations with Most Job Openings by Hourly Wage

Based on the State of California’s projections for occupations with the most job openings, both new and replacement, we find that about 83 percent of the top ten occupations with the most job openings in Sonoma County pay less than $15 an hour. We estimate that the median wage for the top ten occupations with the most jobs openings was $13.09. The graph highlights the two occupations with high wages -- general and operations managers and registered nurses -- both of whom would earn close to $50 an hour. These two occupations supply the remaining 17 percent of job openings. Individuals entering the labor market in Sonoma County can expect a deluge of low-wage occupations awaiting them.

15 Adjusted for inflation to 2018 dollars.
Projected Job Growth by Wage Level, 2014 to 2024

According to the California Economic Development Department, about three-quarters of job growth between 2014 to 2024 is expected to produce jobs -- both new and replacements -- with median hourly wages below $20 an hour. More than one in four are expected to pay less than $15 an hour. Given the severe concentration of lower-paying jobs, workers face a labor market with relatively fewer opportunities to secure a middle or higher paying job.

Source: California Economic Development Department, Labor Market Information Division. Values represent total jobs by median hourly wage.
Housing Costs & Affordability

Median Monthly Housing Burden for Renters

We classify a household “burdened” if housing consumes 30 percent or more of income and “severely burdened” if housing costs 50 percent of income. The data suggest that 47 percent of renter-occupied households were rent-burdened and a quarter were severely rent-burdened in 2016. Real median monthly rent burden for renter-occupied households increased by 5.7 percent from 2005 to 2016. In 2005, the median renter-occupied household paid about $1,166 a month, once adjusted for inflation, and has since increased to an estimated $1,254 in 2016. We estimate that renter-occupied households earning less than $50,000 a year are overwhelmingly faced with high housing costs. Up to this point, rent-burden was most acutely experienced by households earning less than $25,000 a year. However, the incidence of burden was not limited to lower income households alone, as one in three households earning approximately the median household income in 2016 were also burdened with high costs - indicating that a large share of middle income households were also struggling to pay the rent.
Renter Housing Burden by Race/Ethnicity

Black households had the largest proportion – almost three in five – who spent more than 30 percent of income on rent. Furthermore, Black households had the largest number experiencing severe cost-burden, with one in three households spending over half of their income on rent. A majority of all racial and ethnic groups, except Asian/Pacific Islander households, could not afford rent. The data indicate that Asian/Pacific Islander households have the smallest share of housing-cost burden at both 30 and 50 percent income levels.

Median Monthly Housing Burden for Homeowners

In Sonoma County, about 18 percent of owner-occupied households were cost-burdened in 2016. Since 2005, Sonoma County has seen a roughly 6 percent drop in the number of cost-burdened owner-occupied households. The drop coincides with an estimated 20 percent increase in households that own their home free and clear. That rise can be partially explained by an almost 11 percent increase since heads of households aged 65 or older, which in turn contributes to a higher rate of mortgage clearance and consequent drop in cost-burden.

Source: Integrated Public Use Microdata Series. Universe includes all owner-occupied households (excludes group quarters).
Latinos had the highest housing burden before the recession which decreased by more than half post-recession. Research from economists Ingrid Gould Ellen and Samuel Dastrup suggests that a couple of factors may explain the change: 1) Black and Latino homeownership declined during the recession, and 2) subprime mortgages that targeted neighborhoods of color experienced more defaults by homeowners of color. Presumably, Latino households with subprime mortgages before the recession constituted some of the those who lost their homes during the recession and subsequently became cost-burdened. In general, the data suggest that cost-burden for homeowners has been reduced for all racial and ethnic groups, due partly to an increase in the aging population, as mentioned earlier.

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Job Growth as a Ratio of Housing Production

Since the Great Recession, job growth has outpaced housing production in both Sonoma County and the larger metro Bay Area. In Sonoma County, the ratio of jobs added for every housing unit built had remained fairly steady at about two to three jobs for every housing unit built. In comparison, the Bay Area’s jobs-to-housing ratio reflected more volatility than Sonoma County’s. However, the increase in jobs compared to housing has been meteoric since the Recession. In 2016, in both the Bay Area and Sonoma County the ratio of jobs to housing was 9 to 1 almost three times that of the highest ratio ever posted from 1990 to 2007. The 2017 fire only further exacerbated an already challenging situation in terms of balancing jobs to housing.
Rent-to-Income Ratio

In 2016 the real median household to income ratio for renters increased by 9 percent, or about $4,600 annually compared to 2000. During those 16 years, the median rent increased by almost $260 monthly, or about $3,120 annually -- a roughly 25 percent increase. Adjusted for inflation, renters in 2016 lost about $1,550 in purchasing power compared to renters in 2000. However, the 9 percent increase can be misleading given that Sonoma County’s renting households experienced negative household income growth from 2000 to 2015, and only in 2016 did households earn above the 2000 level adjusted for inflation. In other words, for over fifteen years renters experienced a widening gap between declining incomes and rising rents. That the gap has begun to narrow since 2016 is a positive development though one that still leaves significant work ahead given the persistent 16 percentage point gap between rent-to-income since 2000. That gap between rent to income has caused a widening jobs-housing mismatch in the county. Low and mid-wage workers must commute further to find affordable housing, particularly since the 2017 Tubbs fire when rents jumped 35 percent, and as a result the county is now facing a crisis of severe displacement service sector and public employees.
Commuting to Work

Inflow & Outflow
Workers from Sonoma County are commuting more and experiencing longer commute times than in years past. From 2005 to 2015, the number of out-commuters from Sonoma County increased by 18 percent for an average of 72,000 commuters daily. During that time period, the number of people who lived and worked in Sonoma County remained largely unchanged at roughly 122,000 workers. However, the number of workers commuting into Sonoma County from elsewhere has increased by roughly 23 percent to about 53,000 daily in-commuters.\(^{17}\)

\(^{17}\) U.S. Census Bureau, LEHD
Top Out-Commuter Destinations for Work

Out-commuting is defined as commuting from home to work elsewhere, in this case, outside Sonoma County. We estimate that in 2016 Marin County was the primary workplace destination for almost half of Sonoma County out-commuting workers. Second was San Francisco County with about one in five Sonoma County outbound commuters working in or around the City. Third was Napa County with about one in eight out-commuters.
Median Commuter Time & Wage

In 2016, the median transit time for Sonoma County out-commuting workers was roughly 45 minutes from home to work. We conduct a regression analysis to model the relationship between out-commuting and hourly wages for Sonoma County residents. The findings suggest an hourly wage premium of about $4.67 for the average commuter compared to local workers. For the average full-time out-commuting worker, that commuter-wage premium translates into an additional $164 dollars a week, or almost $653 extra a month. Workers doing their own cost-benefit analysis weighing long commutes may ultimately see the commuter-wage premium as the deciding factor that induces workers to secure employment outside of the county in order to afford living in Sonoma County.

See Data & Methods for regression results.
Top Commuting Occupations

We assume that inducing a worker to secure employment outside of their home county and bear a commute most commonly arises due to one of two economic conditions: 1) the unemployment rate in the home county is relatively higher than neighboring counties or 2) a worker can secure a wage premium from a job that entails commuting. Given that Sonoma County’s unemployment rate is currently at 4 percent, commonly considered “full employment”, and that a worker can earn an almost $5 hourly wage premium for jobs outside of Sonoma County, we can conclude that out-commuting is largely explained by the wage-premium. We find that the top occupations for out-commuters have an hourly wage range of $15.32 to $55.22. Eight out of ten workers in these top occupations earn more than $20 an hour; one in two earn more than $30 an hour.
Conclusion

In 2017 after eight years of sustained economic growth and recovery from the Great Recession of 2007-2009 the stock market and after-tax corporate profits surged to record heights. In California, unemployment rates that peaked at 12.2 percent in 2010 dropped below pre-recession levels to 4.5 percent in 2017.

However, as this report demonstrates, the rising tide did not lift all boats. Between 1947-1973 worker compensation and productivity rose together. After the 1973-1974 recession compensation and productivity diverged. In California between 1979-2013, productivity increased by 89 percent, while real median compensation rose by just 3 percent. As a result, the share of national income received by workers has declined to the lowest level, while the share of corporate profits has risen to its highest level since World War II.

In Sonoma County as elsewhere, soaring inequality, the stagnation of median household income, and the flattening or decline of wages for the bottom sixty percent have occurred simultaneously with the economic expansion that began in 2010. Moreover, between 2010-2014, 44 percent of the jobs created were low-wage, paying less than $14/hr. The number of California workers earning such low wages increased from 30 percent in 2000 to 32 percent in 2017. Only one in five jobs created after 2010 - 2014 were mid-wage, paying between $14 and $20 per hour.

The emergence of an hourglass economy with job growth concentrated at the bottom and the top of the labor market while middle-income jobs are shrinking is driving widespread economic insecurity and the dramatic growth of working poor households earning less than $50,000 a year. One in five families in Sonoma County, and 40 percent of Latino families, are the working poor and receive wages and annual incomes well below self-sufficiency levels.

The failure of wages to rise in tandem with spiraling rents and housing costs, the sharp decline of funding for affordable housing, and the destruction of 5 percent of the county's housing stock during the 2017 Tubbs fire are the root causes of a near catastrophic affordable housing crisis and the displacement of thousands of low income residents.

North Bay Jobs with Justice and other labor, faith and environmental organizations that comprise the Alliance for A Just Recovery have developed a comprehensive policy agenda to address structural inequality and the affordable housing crisis. These recommendations include a region-wide $15 minimum wage, rent control and just cause eviction protections for tenants, and increasing the real estate transfer tax on the sale of high-end home to fund affordable housing.

Author’s Biography

This report was written by Jesús Guzmán in the acting capacity of Principal of Los Arroyos Consulting. Jesús is now the Board Chair of Centro Laboral de Graton and staff with PolicyLink. Jesús brings previous experience providing economic analysis with the Marin Economic Forum and data analysis for the California Public Utilities Commission, Office of Ratepayer Advocates. Jesús also previously served as the Program Director for Centro Laboral de Graton organizing with day laborers and domestic workers. He holds a master’s in public policy from the Goldman School of Public Policy at the University of California, Berkeley and a Bachelor of Arts from Sonoma State University.
Appendix A: Data & Methods

Data Sources

Integrated Public Use Microdata Series (IPUMS), American Community Survey (ACS)
- The workhorse data source for this report includes 5-year samples (2012-2016), 3-year samples (2005-2007), and 1-year samples (2005) ranging in years from 2005 to 2016.
- For the job-growth section, in particular, we restrict our data to the IPUMS 5% 1980 Census and the IPUMS ACS 5-year sample 2012-2016.
- California Economic Development Department, Labor Market Information Division
- U.S. Bureau of Economic Analysis

Race & Ethnicity

We begin by acknowledging, as the U.S. Census does, that race and ethnicity are socio-political constructs that have shortcomings since this data may not accurately reflect the identities of all individuals. The data is an accumulation of individual responses based on self-identification within the discrete options given for various census questions. However, the benefit from this tradeoff for using six broad race/ethnicity categories, we believe, is that it allows us to analyze broader social trends among a diverse population that may be useful for further public policy discussions. In our construction, we distill race and ethnicity down to one discrete variable with six broad, distinct, and mutually exclusive categories: White, Black, Asian/Pacific Islander, Mixed/other, Native American, and Latino. In this case, all categories (except Latino) are designated as non-Hispanic (e.g. non-Hispanic White, or non-Hispanic Black). “Latino” refers to people who identify as Hispanic, regardless of racial identification. Lastly, we also use the term “people of color” in reference to individuals who do not identify as non-Hispanic White.
Working Poverty

In our methodology, we use the working poverty definition as put forth by Thiede, Lichter, & Sanders (2015). The sample size is restricted to include Sonoma County residents ages 18 to 64. Workers are defined as having worked in the past year at least part-time (17 hours a week or more) or part-year (27 weeks or more). The ACS includes a unique serial identifier for households but not for families. Since we use the poverty variable measured at the family-level, we construct a unique family unit serial identifier by combining the serial variable and the famunit variable. We then identify unique family units with at least one family member who satisfies the worker definition and measure their levels of poverty for these family units using the poverty variable.

Low-Wage Work

Low-wage is defined as earning less than two-thirds of the median hourly wage. Workers are defined as wage and salary workers between the ages of 18 to 64 who worked in the last year at least part-time (17 hours a week or more) or part-year (27 weeks a year or more). Unless otherwise noted, the standard universe of workers are defined as being age 18 to 64 and having worked at least part-time or part-year. The ACS does not include an hourly wage variable. In constructing the hourly wage variable, we align our methods as recommended by Welsh-Loveman, Perry, & Bernhardt (2014). We constructed the hourly wage variable by calculating the annual earnings divided by the product of usual hours worked per week and weeks worked last year. In the ACS, the “weeks worked last year” variable is a discrete variable with intervals of weeks worked (such as 14-26 weeks). We transform this variable to a numeric variable by setting the number of weeks worked to the midpoint of each interval. For each dataset, we trimmed hourly wage outliers by dropping wages less than $0.50 or greater than $100 in 1989 dollars. Finally, we adjusted wages from previous years to 2014 dollars using the CPI-U for California.

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25 Since the ACS surveys respondents over the course of the year and asks about earnings in the previous 12 months, we apply the ACS-provided adjust variable to convert the reported earnings to real dollars.
26 The ACS annual earnings variable includes wages, salary, commissions, cash bonuses, or tips from all jobs, before tax deductions.
27 This step follows the methodology of The State of Working America, Economic Policy Institute.
**Regression Analysis**

The data source we use is the 2012-2016 IPUMS ACS 5-year sample. We construct a multivariate linear regression model with hourly wage as the dependent variable (measured in 2016 dollars and cents) and a dummy variable with 1 indicating out-commuter and 0 indicating local worker as the main independent variable of interest. The model includes a set of control variables, namely: education, race/ethnicity & gender, age, and transit time. The results are statistically significant at the 0.001 level and the model indicates an adjusted R-squared of 0.255.

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<td>Out-Commuters</td>
<td>6.888***</td>
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<td></td>
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<td>Age</td>
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<td>278.284*** (df = 10; 8079)</td>
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*Note:* $p<0.1; p<0.05; p<0.01$