FAILING CALIFORNIA'S COMMUNITIES

How the University of California's Low Wages Affect Surrounding Cities and Neighborhoods




*Center for Labor & Community Research * Partnership for Working Families*

JANUARY 2008

Contributors

Xiaochang (Mike) Jin, Research Director, The Center for Labor & Community Research
In joint publication with The Partnership for Working Families

Foreword

Across the country, workers, families and communities are confronting the rise in working poverty. Four California affiliates of The Partnership for Working Families (PWF) have analyzed and published census data that shows that while many metro-area economies are growing, they are producing too many low-quality jobs that fail to pay family-supporting wages. Growth in low-wage jobs compromises the economic well-being of workers and families. It also creates greater demand for public services, which can strain regional economies. PWF fights this trend by uniting a network of metro-area organizations that use a multitude of strategies to obtain greater economic equity.

The data in this report shows that the University of California system needs to join us in this effort. UC workers in service and patient care positions earn significantly less than the livable wages other colleges and hospitals in the state pay, a fact that bodes ill for the 55 communities around the state in which these low-wage employees are concentrated.

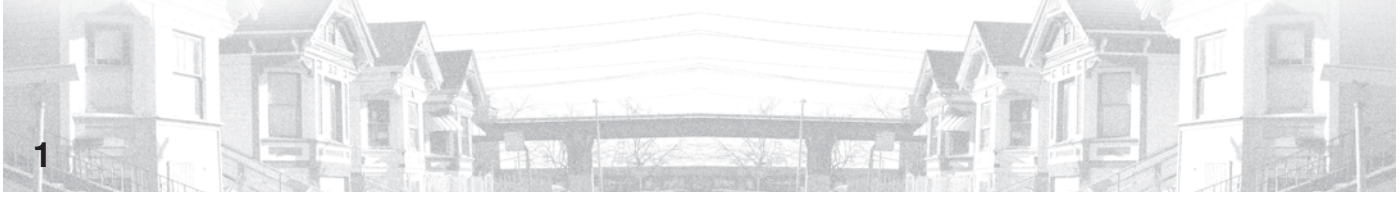
As one of the largest employers in the State of California, and one of the largest employers in the area surrounding each UC campus, the University has an important role to play in the future of these communities.

Because of the "multiplier" effect documented in this report, UC salary spending leverages significant and positive economic impacts on the struggling communities in which UC workers live. The potential statewide impact of UC matching the livable wages that other employers pay includes $147 million more spending on local goods and services; $23 million in new earnings for local businesses; $9 million more in state and local tax revenue; and nearly 900 new jobs.

With growing and profitable medical centers that provide the majority of the funding for its lowest paid workers, UC is in a strong position to bring their earnings up to market levels. Doing so would infuse low-income communities with much-needed economic vitality, creating benefits that go far beyond the household budgets of the individual workers and their families.

Major institutions that receive public funding should make astute choices that ensure their actions leverage benefits for the broader community. This report provides a clear imperative for the UC system: get more bang for our bucks by paying market-rate wages that will have a positive economic impact on many of the state's neediest communities.

- Leslie Moody, Executive Director, The Partnership for Working Families



Key Findings

The low- and moderate-income areas where the University of California's lowest paid workers are concentrated are among those most in need of greater economic development and opportunity. UC patient care and service workers are concentrated in cities and neighborhoods where income is 15% lower and poverty is 50% higher than in the county as a whole.

UC fails low-income communities in California by paying wages that are significantly below what other colleges and hospitals in California pay for the same work. Cities and neighborhoods where UC's lowest paid workers are concentrated would greatly benefit if UC paid market-rate wages. Overall, the market rate is 25% higher than wages at UC. Higher wages would allow UC workers to spend more locally on goods and services and to reduce their reliance on public assistance programs.

If UC paid market-rate wages, the economic impact on struggling communities in California would be significant. The statewide impact would include:

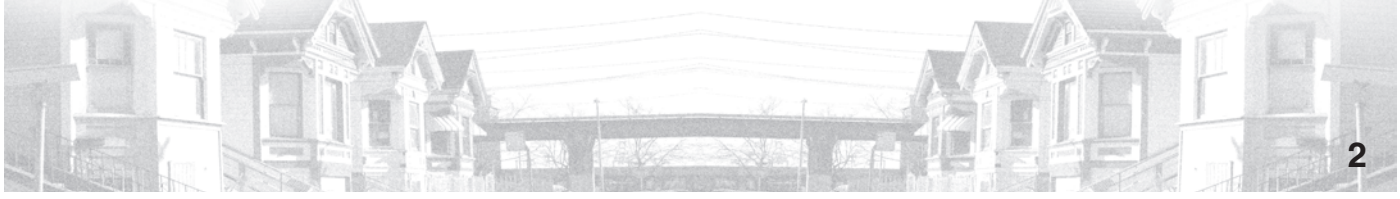
- $147 million more spending on local goods and services;
- Nearly 900 new jobs;
- $9 million in increased state and local tax revenue; and
- $23 million additional local business earnings.

UC providing market-rate wages would produce high returns to low- and moderate-income comunities, with modest public investment. UC's diverse mix of funding sources includes the growing and profitable medical centers. The five medical centers provide the largest source of funding for UC patient care and service workers, mostly from payments from health insurers. State funds provide less than 9% of their salary funding.

Introduction

The University of California (UC) system is said to have the single greatest impact of any institution on the state of California, its economy and its quality of life. UC is California's premier public university and its 5th largest health care provider.

UC is also one of the largest employers in the state, with approximately 124,000 full time equivalent employees and a system-wide payroll of $9.5 billion.[1] UC is among the largest employers in each of the regional economies encompassing its 10 campuses and five medical centers. As a result, UC is postioned to have a significant impact on the economic vitality of the communities where UC employees live and on the state as a whole.



Previous studies and reports have shown that despite its size and prestige, UC does not provide the level of compensation for large segments of its workforce that might be expected.[2] A 2005 study by the National Economic Development and Law Center (NEDLC) found that 35% of UC service workers did not earn wages sufficient to pay for food, rent and other basic necessities, and that many employees were income-eligible for public assistance programs.[3] It also found that wage rates for custodians at UC are substantially lower than those of comparable employers. In November 2005, UC reported that its faculty and staff wages are on average 10% below the market rate,[4] but NEDLC found that UC custodian wage rates lagged the market by up to 27%.

In contrast, audits prompted by newspaper investigations in the past two years found that UC executives had received millions of dollars in extra compensation and perks, often without public disclosure and required approval by the UC Board of Regents.[5]

Studies on Wal-Mart have shown that the compensation practices of a large employer like UC can affect entire communities. In the case of Wal-Mart, its low wages can depress retail wages in a regional economy and also cause taxpayers to subsidize Wal-Mart's compensation costs when workers heavily utilize county public assistance programs.[6]

Similarly, UC's compensation practices affect the communities where UC workers live. At the top, for UC executives, excessive compensation and perks such as low-interest mortgages, which increase disposable income, tend to economically benefit the more affluent communities near UC campuses. At the bottom, for the lowest paid UC workers, below market-rate wages stunt the growth and vitality of the struggling low- and moderate-income communities where these workers are concentrated.

Maria Del Valle: Senior Custodian, UCLA Mid City, Los Angeles

"I clean the student dorms and make $10.76 an hour. As a single mother raising four daughters, every day is a struggle to pay basic bills. I have to work another job on the weekend, but what hurts more is that my older daughters have to work to help me pay the bills. If I were to get a living wage, my daughters could focus on their education and succeed instead of having to sacrifice themselves for the family."

Demographic and Economic Impact Analyses

This study seeks to answer two questions: first, "What would be the impact on California's economy if UC paid market-rate wages?" and second, "Which communities would benefit most from the impact?" Demographic and economic impact analyses were used to answer these questions.

The demographic analysis – an analysis of employee zip code and US Census data – found that the lowest paid UC workers are clustered in 55 low- and moderate-income cities and neighborhoods around the state.

The economic impact analysis used as its starting point a wage comparison that showed that the wages of the market comparators are 25% higher than wages at UC. The analysis then quantified the statewide "multiplier" or "ripple" effects of UC matching market-rate wages for its lowest paid workers. The economic impact was found to be $147 million in additional spending on local services and products, the creation of nearly 900 new jobs, $9 million in increased state and local tax revenue, and $23 million more in profits for local business owners.

To illustrate the large regional economic impacts that would arise if UC paid market-rate wages to its low-wage workers, this study focuses on the roughly 20,000 patient care and service workers that comprise the lowest paid group of UC employees. This study was produced for AFSCME 3299, which represents these workers and provided the zip code and wage data necessary for its analyses.[7]

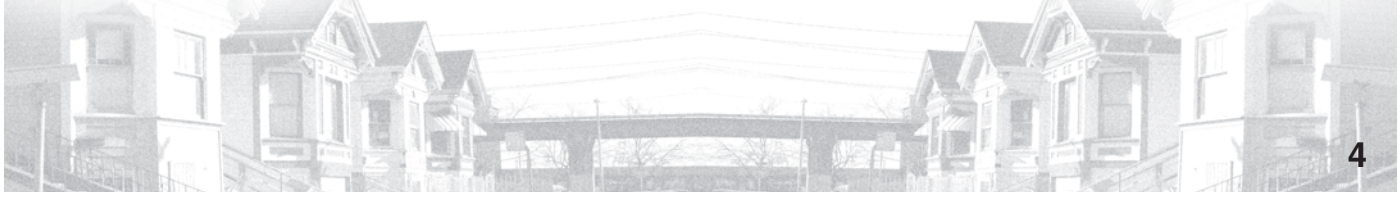
Table 1. Overview of Increased Local Spending in California Communities.

GEOGRAPHY	TOTAL
California – Total	$ 147,118,269
Greater Bay Area	$ 20,657,105
Sacramento / Davis	$ 50,210,498
Southern California	$ 76,250,666

Who Are UC Workers & Where Do They Live?

UC patient care and service employees provide services at UC's 10 campuses and five teaching hospitals around the state. This largely female workforce is among the most diverse at UC, with high numbers of minorities and immigrants.

The 11,300 UC patient care employees are vocational nurses, ultrasound technologists, pharmacy technicians and other frontline hospital workers. They assist in surgeries, draw blood, take vital signs, help patients with bathing and eating, safely



transport patients to and from medical tests and surgeries, and assist in the day-to-day operations of many hospital units. The 8,700 bus drivers, building maintenance, custodial and other UC service workers perform a variety of jobs including cleaning dorms, offices and hospitals, cooking and serving food, maintaining buildings and grounds, and providing parking and transportation services.

The demographic analysis of these employee groups found that 45% of the employees (8,607) live in one of 55 communities around the state. These communities include cities with over 100 UC patient care and service workers (or zip codes with over 75 such workers, within large cities). UC is among the largest employers in many of these communities.

Communities with Largest Concentrations of UC's Lowest Paid Workers[8]

- **City of Sacramento:**
  Neighborhoods of Florin, Intersection of Florin/Franklin, Fruitridge, Intersection of Power Inn/Fruitridge, Meadowview, Pocket, Oak Park

- **Greater Sacramento/Yolo Area:**
  Elk Grove, Woodland, Davis, West Sacramento

- **City/County of San Francisco:**
  Neighborhoods of Inner Mission, Outer Mission, Sunset District, Visitation Valley, Richmond District

- **Greater Bay Area:**
  Oakland, Berkeley, Richmond, San Pablo, Daly City, South San Francisco, Watsonville, Santa Cruz

- **City of Los Angeles**
  Neighborhoods of Palms, Mar Vista, West Adams, Mid City, Hyde Park, SW Central LA, West LA, Jefferson Park

- **Greater Los Angeles Area:**
  Inglewood, Hawthorne, Santa Monica, Long Beach, Culver City, Goleta

- **Orange & San Diego Counties:**
  Santa Ana, Anaheim, Garden Grove, Orange, Riverside, Chula Vista, El Cajon, National City

- **City of San Diego:**
  Neighborhoods of Encanto, Mira Mesa, Otay Mesa, South Park, City Heights, Clairemont, Paradise Hills

These communities are largely the low- and moderate-income areas near UC campuses and medical centers that are most in need of greater economic benefits. For example, UC Berkeley is located in the relatively affluent community of Berkeley in Alameda County, but the largest group of UC workers in that county lives in the economically struggling city of Oakland. The low-income city of Richmond in neighboring Contra Costa County has the largest number of UC workers in that county.

Similarly UCLA is located in Westwood adjacent to other affluent Los Angeles neighborhoods, while the largest concentration of UC workers are in the poorer neighboring cities of Inglewood and Hawthorne.

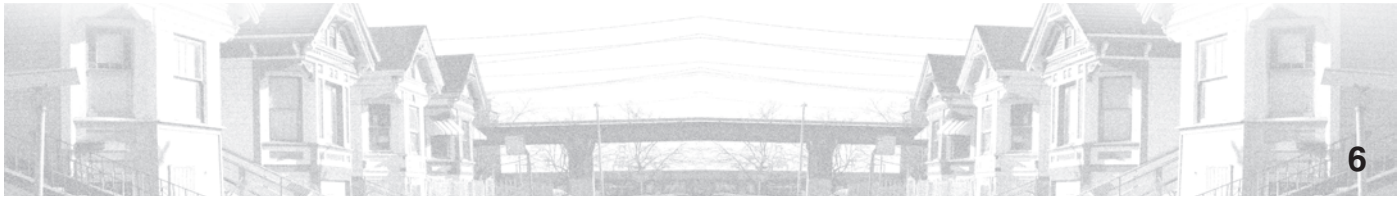
To understand the characteristics of these communities, this study compared census data for the cities (or zip codes within large cities) with census data for the counties in which they are located. **The major findings of the 8,607- worker analysis were the following:**

UC workers live in low-income communities:
A majority of UC patient care and service workers live in areas where family income is 15% lower than that of the surrounding county. Over one-quarter of the workers live in communities where family income is 25% lower that that of the county. The income gap is even larger in some places. For example, Santa Ana's median family income is $41,050, 36% lower than the $64,611 median income in Orange County.[9]

UC workers live in areas with higher poverty rates:
UC workers are likely to live in communities with significantly higher poverty rates than the surrounding county as a whole. Two-thirds of workers (66%) live in places where the poverty rate is 25% higher than the surrounding county, and nearly one half live in places where the poverty rate is 50% higher. Nearly one-quarter of workers (22%) live in places where the poverty rate is double the rate of the surrounding county.

Sandra Jones: Hospital Assistant III, UCSF
East Oakland, Alameda County

"I am a phlebotomist with 22 years experience - nine at UC. Employee turnover in my department is high. Part of the problem is that UC does not reward years of service and sometimes hires new workers at higher pay. UC workers want to work here for the patients, but what if you can hardly pay your bills? UC owes it to my community to pay better."



UC's Potential Economic Impact on CA Communities

IMPLAN economic analysis software was originally developed by the federal government to calculate the regional economic impact of government spending. The IMPLAN model was used here to quantify the potential impact on California communities if UC paid the livable wages that other colleges and hospitals pay for the same work.

The IMPLAN analysis found that if UC matched the wages of comparable employers, the resulting "multiplier" or "ripple" effects of increased economic activity would be the following:

- $147 million more spending on local goods and services;
- Nearly 900 new jobs;
- $9 million additional state and local tax revenue; and
- $23 million increased local business earnings.

The IMPLAN model was run on the three regions that encompass most UC campuses and medical centers – the Greater Bay Area, Sacramento/Davis and Southern California regions.[10] The economic impacts would most affect the low- and moderate-income communities within these regions where UC patient care and service workers are concentrated.

The starting point for the analysis was wage data showing that if UC patient care and service workers earned the same wages as employees who do the same work at Kaiser and the California Community Colleges, they would receive a 25% raise.[11]

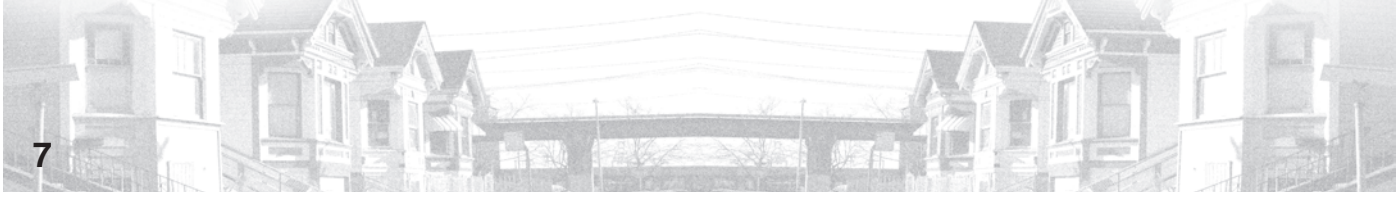
The impact of bringing UC wages to market levels "ripple" through affected local economies creating *direct*, *indirect* and *induced* impacts.

Table 2. Potential Increased Industry Output in California.

GEOGRAPHY	DIRECT	INDIRECT	INDUCED	TOTAL
California – Total	$ 101,661,210	$ 22,421,299	$ 23,035,760	$ 147,118,269

Generally, higher wages increase family disposable income, which leads consumers to spend more. This is a *direct* impact. Higher spending raises demand for local goods and services, an *indirect* impact. Growing demand leads companies to increase production, hire more workers and increase investment. Increased employment and investment lead to an expansion in overall demand. *Induced* impacts result when employees of impacted firms increase their spending.

In this way, each dollar of additional spending made possible by the original wage increase generates additional economic activity. The benefits that result from this activity can be quantified, from additional tax revenue to additional business profits, to the final impact on employment.



For example, the $101 million increase in initial consumption expenditures would also create new sales, business and income tax revenues for the federal, state and local government. As a result, local and state government would receive nearly $9 million. At the local level, these revenues could be used to pay for services needed by low-income communities, such as health care, programs for youth and law enforcement.

Table 3. Potential Increased Federal, State & Local Tax Revenue.

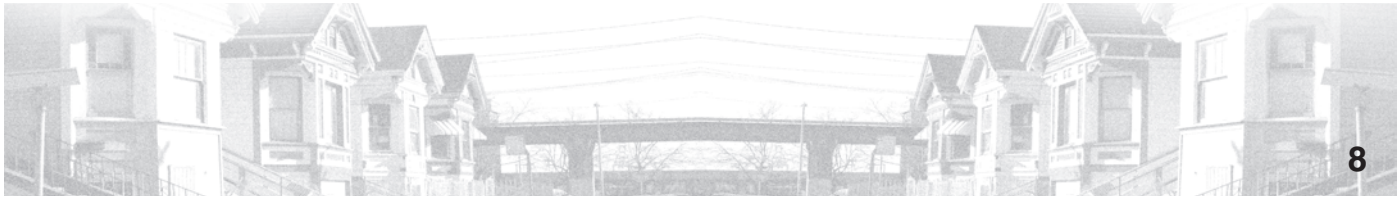
GEOGRAPHY	STATE/LOCAL TAXES	FEDERAL TAXES
California – Total	$ 9,114,267	$10,680,863
Greater Bay Area	$ 1,227,271	$ 1,479,697
Sacramento / Davis	$ 3,110,397	$ 3,339,102
Southern California	$ 4,776,599	$ 5,862,064

Owners of local businesses, including many small business owners, would gain nearly $23 million in profits. Since employees spend most of their discretionary incomes in their own communities, it is their neighborhoods and cities that stand to benefit most from an increase in income.

Table 4. Potential Increased Profits by Area Businesses.

GEOGRAPHY	DIRECT	INDIRECT	INDUCED	TOTAL
California – Total	$ 14,348,196	$ 3,617,034	$ 4,972,102	$ 22,937,331
Greater Bay Area	$ 2,074,717	$ 473,915	$ 598,740	$ 3,147,372
Sacramento / Davis	$ 4,972,847	$ 1,125,611	$ 1,474,849	$ 7,573,307
Southern California	$ 7,300,632	$ 2,017,508	$ 2,898,513	$ 12,216,652

Critical to the health of cities and neighborhoods is job creation. Increasing sales would result in businesses expanding their labor force, resulting in nearly 900 new jobs statewide.



Conclusion

As one of the largest employers in the State of California and in each of the areas around its campuses, UC has a significant impact on the regional economies in which its campuses are located. By merely paying market wages, the University could have a significant and positive impact not just on UC employees and their families but on entire communities, especially struggling communities that are most in need of economic benefits.

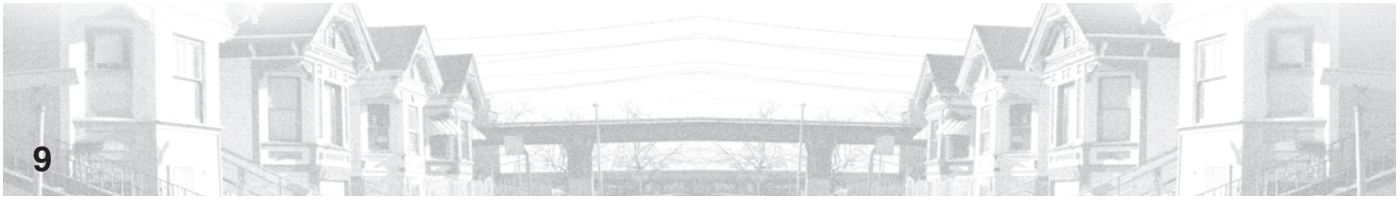
UC fails struggling communities when the market wage rate is 25% higher than UC wages for its lowest paid workers, while excessive executive pay and perks provide economic benefits for employees and communities that are not in dire need.

The University has a diverse mix of funding sources that include medical center revenues, donations, federal funding, student tuition and fees, grant overhead funds, as well as State general fund monies. Overall, the state provides less than 9% of the cost of service and patient care worker wages, while the rest is paid from non-governmental funding (tuition and fees provides only 1%).

The largest source of funding for UC patient care and service workers, 70%, is supplied by UC's growing and profitable medical centers, largely from payments from health insurers.[12] In 2006, net income after expenses for the five UC Medical Centers was $371.8 million.[13]

The low- and moderate-income communities in the three regions studied in California would benefit most from the positive economic impacts that would follow if UC paid its lowest wage employees what their peers earn at community colleges and hospitals.

What is at stake is the economic future of West Sacramento, San Pablo, Watsonville, Hawthorne, El Cajon and the other poor communities that would greatly benefit if the University of California made a greater economic investment in California's communities.



[1] UC Annual Financial Report, 2005-06.

[2] Purser, Gretchen, Amy Schalet, and Ofer Sharone. 2004. *Berkeley's Betrayal: Wages and Working Conditions at Cal.* University Labor Research Project: Berkeley, CA.

[3] *High Ideals, Low Pay,* National Economic Development & Law Center, February 2005.

[4] UC Budget for Operations, 2006-07, p. 304.

[5] *San Francisco Chronicle,* UC Compensation series, 2005-2007.

[6] Dube, Arindrajit, and Ken Jacobs. 2004. *Hidden Cost of Wal-Mart Jobs.* UC Berkeley Labor Center: Berkeley, CA.

[7] Wage data was provided to AFSCME 3299 from the UC Office of the President corporate personnel system.

[8] Each neighborhood listed under a city correlates with a zip code. In two cases, one name encompasses two zip codes.

[9] US Census Bureau, 2000 Census.

[10] The Greater Bay Area region includes Alameda and SF counties; the Sacramento region includes Sacramento and Yolo counties; and the Southern California region includes LA, Riverside, Orange, and San Diego counties.

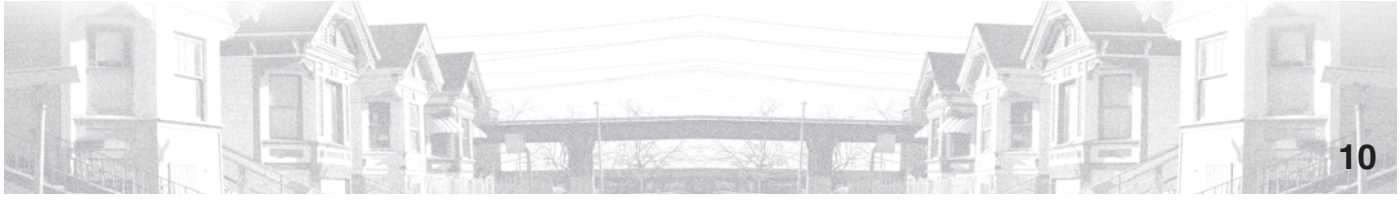
[11] The wages for UC patient care and service worker job classifications were compared to wages at the Kaiser hospital system and the largest area community colleges, respectively. Matches were found for the largest UC job classifications at each campus and medical center, accounting for over 50% of hours worked. Wage differentials were calculated for the largest classifications at each UC Medical Center and UC Campus, and weighted by hours worked in each classification in each location. UC has an "open range" wage system, with each worker in a given job classification earning a different hourly wage. The UC wage was determined by taking the weighted average wage in each classification title code in each location, based on a sample month of hours worked (February 2007 UC Corporate Personnel System data, updated to October 2007 wage rates). Kaiser and the California Community Colleges have "step" wage systems, which matches pay rates to years of longevity. To compare UC's "open range" system with the "step" systems at Kaiser and the California Community Colleges, UC hire dates for workers in each classification title code at each location were run through the comparator's wage step schedule for the matching job classification, and weighted for actual hours worked by each worker in the sample. The comparator wage rate is the contractual wage rate for October 2007. It is likely that the wage differential between UC and its comparators is underestimated, resulting in a conservative estimate of the increased economic activity that would result from raising UC wages to market levels. Kaiser and the community colleges have higher wages, similar benefits and "step systems," which generally result in lower turnover. If Kaiser and community colleges have workers with more years of service, they would therefore earn more on a higher "step."

If UC paid the same wages as Kaiser and the California Community Colleges, an estimated 78% of the wage increase would be spent on consumption, based on the consumer expenditure pattern reported by the National Consumer Expenditure Survey for employees earning $25,000 to $35,000, which represents the majority of the studied workforce.

[12] UC fund source data provided to AFSCME 3299, October 2005.

[13] UC Medical Center Annual Financial Reports, 2005-06.

[14] US Census Bureau, 1990 and 2000 Census.



Ana Aguirre: Patient Support Assistant, UCSF Inner Mission, San Francisco

"I work in the Emergency Room. In addition to cleaning blood-splattered surfaces, I also provide direct patient care, taking patients to their rooms, bringing them whatever they need to be comfortable. I like helping patients, but after 17 years at UCSF, I still earn less than what custodians at other San Francisco hospitals earn after five years."

Loretta Butler: Care Partner, UCLA Medical Center Inglewood, Los Angeles County

The largest concentration of UCLA workers live in Inglewood, a community whose poverty rate grew 40% between 1990 and 2000.[14] *"If UC paid market wages, it would help lift this community. For me, that would mean I wouldn't have to work extra 12-hour shifts to make ends meet, and I could complete my degree and become a social worker."*

The Center for Labor & Community Research is a non-profit consulting and research organization that specializes in new approaches to community development.

CLCR
Smart partnerships. Proven results.

The Partnership for Working Families promotes innovative economic policy models that improve the standard of living for workers and communities. PWF partner organizations – including six California affiliates – develop and advocate for policies and practices that create better jobs, more affordable housing and healthcare, and accessible services. California affiliates are:

- Los Angeles Alliance for a New Economy (LAANE)
- East Bay Alliance for a Sustainable Economy (EBASE)
- Center on Policy Initiatives (CPI)
- Orange County Communities Organized for Responsible Development (OCCORD)
- Central Coast Alliance United for a Sustainable Economy (CAUSE)
- Working Partnerships USA.

THE PARTNERSHIP for Working Families

PRINTED WITH SOY INK