PANEL DISCUSSION: A COMMUNITY DEVELOPMENT AND LABOR PERSPECTIVE

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FED LISTENS: A “Hot” Economy: A Community Development and Labor Perspective

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Since the 2009 financial crisis, economic recovery has been unevenly distributed, perpetuating a longer term trend towards widening inequality.

Source: The New Gilded Age, Economic Policy Institute, Washington DC.
This widening of income and wealth inequality—and its racial dimensions—is acutely felt at the local level.
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San Francisco, 2017

Source: Calculated from 1980 Decennial Census and ACS 2017 1 year sample. Dollars adjusted for inflation. Numbers and racial categories not directly aligned over time, so these should be taken as estimates of the distribution of households as opposed to exact proportions.
Housing costs, in particular, have outstripped wage gains in “hot” economic markets, leading to welfare reductions even as wages rise.

San Francisco: Monthly Rent for a 1 Bedroom Unit

Source: Zillow Rental Listings and California Employment Development Department Occupational Employment Statistics (OES) Survey Wages for San Francisco-Redwood City-South San Francisco Metro
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For lower-skilled workers, labor market is characterized by instability and insecure working conditions.

Job Characteristics, California Workers Earning Between 50% and 60% of AMI

- No Health Insurance: 50% of jobs
- No Paid Vacation: 40% of jobs
- No Overtime: 40% of jobs
- No Opportunities for Advancement: 30% of jobs
- No Paid Sick Days: 20% of jobs
- No Regular Working Hours: 10% of jobs
- Does Not Pay Minimum Wage: 5% of jobs

Source: Terner Center for Housing Innovation, Survey of Low-Income Housing Tax Credit Residents, data collected in 2017.
Lower interest rates, while helping those with higher loan balances, don’t always affect the costs of financial debt products. People of color, those with lower levels of education, and those who are unemployed or disabled are more likely to use alternative financial services, which are less sensitive to monetary policy.

Source: FRED, Federal Reserve Bank of St. Louis. Credit Card rate is based on accounts assessed interest. Measures are not seasonally adjusted.
Tightened mortgage market exacerbates disparities. Since the Recession, Blacks have largely been excluded from access to credit, with implications for the wealth gap and neighborhood change.

Disparate Access to Mortgage Credit Has Led to Widening of Homeownership and Wealth Gap

Conclusion

- Monetary policy is not necessarily key driver underlying these trends
  - Fiscal and local policies matter
- Important to unpack key metrics such as unemployment and economic growth rate, credit v. debt, to understand who is benefiting from the recovery and who isn’t
- Fed has other important tools, e.g. Community Reinvestment Act oversight, that can help to attenuate these inequalities
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