The Broken Pathway
UNCOVERING THE ECONOMIC INEQUALITY IN THE BAY AREA
The San Francisco Bay Area has benefited from technological change and innovation in an increasingly global economy. These changes have left significant parts of the workforce behind by making it more difficult for them to find good jobs. Research has shown that workers with less education and training are among those most likely to face challenges and that effective job training services are essential. However, traditional methods for measuring and reporting on poverty within communities overlook the extent of the need, and therefore lead to a lack of resources being allocated to address these challenges.

This report offers a unique lens on existing data, highlighting material from the Bureau of Labor Statistics and others that tells a very different story about requirements for skills training and support for people most in need. The numbers are startling and demonstrate that both those in deepest poverty and many more who are not able to earn enough to afford basic living costs need a “step-up” - a pathway that includes skills training, supportive services and in some cases, an introduction to college. If even a portion of people in need find a pathway to these services, there can be significant economic benefit for their communities.

This report challenges traditional unemployment numbers and helps unpack other data to tell a more complete story. Still, data collection methods, and in particular the lack of clear information about a variety of groups (notably Hispanic and Latino people) make it harder to tell the story of communities who could and should benefit from building a stronger network of employment training and services.

This report is intended to be the first step in a multi-year effort that highlights populations in need within the Bay Area and their ability to gain, and retain, employment that meets self-sufficiency levels for the region.

While the report leverages data in the Bay Area, the issues addressed are essential for communities across the country. Our recommendations are addressed to governments, as well as other funders, researchers, nonprofits and the workforce community. We must work together to find solutions for people who have been left behind.

We need to fix the broken pathway.
Poverty in the Bay Area is largely hidden and becoming worse. We need to change how we count people in need.

**SIGNIFICANCE:**

Federal poverty levels and unemployment rates are the only measures that are used by most governments and some private funders to determine if individuals and programs should receive funding for skills and career training.

Given these cut-offs, many individuals are ineligible and many workforce, training and support programs receive less funding to serve people in need than comparable programs elsewhere.

**The Data:**

- Despite being one of the nation’s wealthiest regions, over 500,000 Bay Area residents, or about 10% of the population, live in poverty. But poverty is more prevalent than the strict federal guidelines would indicate. A more complete metric, the Self-Sufficiency Standard*, suggests an income need of up to four times the federal guideline. As many as 1.45 million, or 29.2% Bay area residents are not self-sufficient.

- Racial minorities account for over half of those in poverty in the Bay Area, with many speaking non-English languages in the home.

- General government statistics hide the full picture of those living in poverty, yet these are the only calculations used to decide where funding will be concentrated.

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*Self-Sufficiency Standard: Where you have a stable place to live and cover the basics for survival, University of Washington Center for Women’s Welfare; [http://www.selfsufficiencystandard.org/](http://www.selfsufficiencystandard.org/)
Skills/Education Gap

The Bay Area is a region of high growth & opportunity for professionals with higher education, leaving behind those with barriers to full-time employment.

SIGNIFICANCE:
A large number of people do not have advanced degrees or training and could benefit from a “step up” pathway to career and higher education. This number is only the tip of the iceberg. It does not include all of those who do not have income that allows them to be self-sufficient.

The Data:

- There are large numbers of people on a ‘dead end’ path, with no way out of poverty. Many are unemployed, or have to work at least two, and sometimes three minimum-wage jobs to make ends meet.
- The official unemployment rate is a comparatively narrow measure and doesn’t include a segment of the out-of-work population who are willing and able to take a job but who don’t fit the narrow Bureau of Labor Statistics definition of “unemployed.”
- Broad regional unemployment statistics often drown out specific geographic issues. Some areas have up to 6% unemployment.
- Underemployment metrics are a more appropriate benchmark of labor underutilization. In September of 2016 the difference in the official unemployment rate and the underemployment rate was 4.7%
- Labor market solutions are largely aimed at people who are college bound, have Bachelor’s degrees, or who have the means to pay for additional skills training. This leaves behind a significant portion of the population. Reports show that 50% of the Bay Area population over 25 years of age (1.8 million people) do not have a bachelor’s degree and 450,000 do not have a high school diploma.
- We know that 233,000 of the people living below the federal poverty line could have training and education gaps; this number is conservative as many more who haven’t reached self-sufficiency could have need as well.
Training and skills development programs are essential to populations with low-level education and little relevant experience.

**The Data:**
- There are a number of jobs that do not require a university-level degree but could raise people to self-sufficiency in a two-person household. These include: Construction and Building Trades, Construction/Laborers, Healthcare Support Occupations, Business Administrative Assistant/Office Computer Technology, and Culinary Arts.
- Information released in September 2016 indicates that job growth for these positions is promising in San Mateo and Santa Clara Counties — ranging from 9% to 51% from 2012 to 2022.
- Vocational and skills-oriented, no-cost training programs lead to sustainable wages and allow progress towards a career pathway. A portfolio of services to support the students is required for this training to be successful.
- “Stackable credits” and ongoing training move them further up the ladder.
- The net benefit, in the first year, of serving those in need of skills training (people who fall under the federal poverty guideline, are over 25, with no Bachelor’s degree) is $6.9 billion* and this number could be much higher.

**SIGNIFICANCE:**
- There is a pathway to a sustainable wage for people who do not yet have college degrees.
- The net impact/benefit of creating pathways even for those with greatest need is large and leads to economic self-sufficiency.

*The calculation used does not include all the people who aren’t Self-Sufficient according to the studies of the University of Washington Center for Women’s Welfare; Calculation: 233,000 X $18 per hour X 2080 hours minus $8,000 per person for training and supportive service costs
A Call to Action

- Federal poverty and unemployment rates alone should not be used as the only way to determine eligibility for training or to fund programs; these measures leave many people in need behind, and hide the full extent of poverty in places like the Bay Area which has helped create the “Broken Pathway”

- Additional metrics, such as the Self-Sufficiency Standard and Schedule 6 of the Bureau of Labor statistics (underemployment), should be used to help determine need for workforce services

- Access to low or no cost skills training and career pathway partnerships must be expanded to accommodate the large “addressable market” of people without advanced education or training in the lowest income categories. Doing nothing expands the economic divide

- Government, census, Bureau of Labor Statistics and other data collection agencies should work to accurately capture poverty and unemployment/underemployment; these measures should also highlight populations most affected by lack of access to educational services

- Undertake specific studies of cities and geographic regions that are disproportionately affected

- Use racial and language lenses to directly highlight the disproportionate effects on racial minorities and Hispanic populations

- Expand the number of regional collaborations aimed at creating more pathways to skills training and potentially college degrees to accommodate the large number of people in need

- Continue to evaluate high growth industries and the skill requirements to secure jobs in these industries. These should include industries that require skills training as well as those that could lead from skills training to college and access to higher paying jobs
This report is the first of a planned yearly look at the state of The Broken Pathway. We know that it has uncovered many areas that require more in-depth research. We also know that we will need to engage private researchers, universities, governments and workforce organizations at all levels to help us reveal more of the story of why the pathway is broken as we strive to remove barriers for those most in need.

Our hope is to provide an update on the state of the pathway next year, and to dive deeper in some key areas. These include (but are not limited to):

♦ Understanding how migration in and out of high cost of living areas has helped to hide poverty and change the face of some communities. This should include information on how many former residents come back to work, but live elsewhere.

♦ The business costs of breaks in the pathway, including businesses unable to find and retain skilled employees in crucial roles.

♦ The generational costs of not addressing the skills and education gaps.
Community Snapshots: How Career Pathways Change Lives

Isaiah graduated from high school with no clear direction on what he wanted to do or where he wanted to go. Even back then, the cost of living in East Palo Alto was very high and there were times when they had multiple families living in one house just to be able to stay in the area. He wanted to help his family out, but didn’t know in what way.

After taking vocational training classes, he was able to work for the County of San Mateo, Human Services Agency where he has led a successful career in Information Technology for 30 years and running.

Wesley came to the United States from Nigeria for political asylum, leaving behind his wife and four children. He initially worked as a security guard and was renting a small studio in East Palo Alto when the City foreclosed on the property. Wesley ended up staying at a homeless shelter, for his $10/hour job wasn’t enough to cover his living expenses. He had no home, no credit, and no hope. When he was finally able to reunite with his family, he wasn’t even able to move them into the homeless shelter. He had to rely on his meager wages and vouchers to stay at motels. There were even tough times when they had to spend the night in the streets.

Now, Wesley’s earnings have doubled and he and his family are in a stable home after he trained to be a Certified Nursing Assistant.

Aaron’s skill set was in automotive technology, computer hardware, and customer service which only made him $9 - $10/hour. Without a college-level degree, he felt limited in his upward mobility, and was dejected when he was laid off twice in the same year. Going to a traditional university was not an option at that point in his life, but he aspired to get his Associate’s degree in Computer Science.

The Employment Development Department recommended him to a training program. He successfully completed a Coding program, was able to confidently create websites for his family’s businesses, and is now enrolled at the College of San Mateo for his Computer Science Associate’s degree with plans on continuing his education at Cañada College.
Community Snapshots: How Career Pathways Change Lives

**James** grew up in East Palo Alto at the time when it was one of the poorest and most violent areas in California. He had dropped out of high school and did not have a GED. He wanted to be a mechanic, and almost signed up with the military just to be able to make a living.

Though his path took many different turns, he did go through vocational training in Culinary Arts, as well as obtained his GED. He is now one of the senior Sous Chefs at BAMCO Santa Clara, and is the Head of Catering. In turn, he also makes it a point to give back to the community by volunteering his time, knowledge, and skills.

**Vanessa** only had a high school diploma, and worked 10 hours a day at a commercial laundry company. She was also taking classes at a community college part-time. She became pregnant, and unfortunately was laid off due to a slowdown in the business. She found it difficult to find another job given her limited skills and experience. The stressors and challenges were getting insurmountable so she dropped out of college.

She wanted to continue going to college but found it challenging since she didn’t have any support for her baby. She was able to register for a Medical Assistant program, where not only did she receive training, but she also received supportive services such as assistance with gas expenses, childcare, and uniform purchase. She now works for Stanford Health Care, at a livable pay rate.

**Reena** struggled with substance abuse issues, which put her in and out of jail for some time. Referred to vocational training through the Work Furlough program, she attended classes while incarcerated and was doing well. She was released from custody half-way through the class, and her behaviors and actions suddenly changed. She was constantly late or absent, was distracted in class, and not taking her instruction seriously. She was removed from the class and was advised that she would be welcomed back only when she can make a full commitment to the program. Six months later, she returned with a renewed attitude, had 100% attendance, and started to really embrace the program. Upon graduation, she entered local Labor Union 261 and is now working for a construction company in San Francisco, making $23.00/hour.
Study Partners:

JobTrain was founded over 50 years ago by the Reverend Leon Sullivan (Sullivan Principles) and the Reverend Sweeney, who wanted to make sure that everyone could have a pathway out of poverty. JobTrain offers a series of vocational training, supportive services, and career supports that have launched more than 190,000 individuals into new lives and new careers.

Nicholas Almeida is an experienced cross-sector consultant and community researcher. Nicholas supported the team through data collection and analysis, as well as drafting the report.

The Boston Consulting Group is a leading management consulting firm which has partnered with JobTrain in several strategic efforts. BCG supported our team in shaping the analyses and data included in this report.

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Tipping Point Community's mission is to help break the cycle of poverty in the Bay Area by finding and funding the most promising nonprofits educating, employing, housing and supporting those in need. Since 2005, Tipping Point has raised more than $120 million, putting 22,000 on a path out of poverty in the last year alone.

Our thanks to NOVA for providing access to data needed for this report.

NOVA is a nonprofit, federally funded employment and training agency that provides customer-focused workforce development services.