Cases for Economic Equity

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Vice President and Director of the Institute for Economic Equity

Federal Reserve Bank of St. Louis

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

• The Role of Community Development

• Cases for Economic Equity
  – Historical: Dr. King’s Economic Equality Message is Still Relevant Today
  – “Deferred” Maintenance in Human Priorities: FRAM Oil Filter Commercial
  – Resource-Based: ALICE Framework
  – Economics: Business Benefits of Equity

• Barriers to Economic Equity
  – Skills and Competencies
  – Balance work and caring for family
  – Safe and fair workplaces
  – Financial Inclusion
Figure 1.1. The Federal Reserve System

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

1. U.S. Central Bank

2. The Federal Reserve System

3. Key Entities
   - Federal Reserve Board of Governors
   - 12 Federal Reserve Banks
   - Federal Open Market Committee

5. Key Functions
   - Conducting the nation’s monetary policy
   - Helping maintain the stability of the financial system
   - Supervising and regulating financial institutions
   - Fostering payment and settlement system safety and efficiency
   - Promoting consumer protection and community development
Dr. King’s Economic Equality Messages

• “Negroes have benefited from a limited change that was emotionally satisfying but materially deficient... Jobs are harder to create than voting rolls.”

• A job is not necessarily equivalent to security
  – Often undercut by layoffs, blacks are hit hardest
  – First fired and the last hired
  – Discrimination thwarts long-term employment, which negates building seniority
  – Blacks need full-time and full-year employment
  – Need promotion and development opportunities
  – Need employment that feeds, clothes, educates and stabilizes a family
  – Declining unemployment rates veil the lack of black’s job quality
  – Employment instability reflects the fragility of Black ambitions and economic foundations
“Deferred” Maintenance in Human Priorities: FRAM Oil Filter Commercial

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

• All races, ages, ethnicities, and abilities, though households of color are disproportionately ALICE

• Income cannot keep up with the rising cost of goods and services

• Work two or more jobs and still cannot pay their bills

• Caregivers that have lack of assistance which make it difficult to find adequate work

• Live paycheck to paycheck and are forced to make impossible choices:
  • Pay the rent or buy food
  • Receive medical care or pay for child care
  • Pay utility bills or put gas in the car
Percent of Households Below the ALICE Threshold in 2021 by Census Division

Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live. Values are the region's median.
Percent of New England Households Below the ALICE Threshold in 2021

Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live. Values are the region’s median.
Percent of East and West South Central Households Below the ALICE Threshold in 2021

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

<table>
<thead>
<tr>
<th></th>
<th>Impact on ALICE</th>
<th>Impact on Everyone</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOUSING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substandard</td>
<td>Inconvenience and safety risks</td>
<td>Reduce local property values</td>
</tr>
<tr>
<td>Far from job</td>
<td>Longer commute, higher costs, less time</td>
<td>More traffic on road, workers late to jobs</td>
</tr>
<tr>
<td>Homeless</td>
<td>Disruption to job, family, education, etc.</td>
<td>Cost for shelter, foster care, health care</td>
</tr>
<tr>
<td><strong>CHILD CARE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substandard</td>
<td>Safety and learning risks; health risks</td>
<td>Future burden on education system</td>
</tr>
<tr>
<td>None</td>
<td>One parent cannot work—foregoing immediate income and future promotions</td>
<td>Future burden on education system and other social services</td>
</tr>
</tbody>
</table>

Source: Figure 22 file:///C:/Users/H1WMR01/Downloads/2012_UWNJ_ALICE%20Report_FINAL2.pdf
## Consequences of Households Living Below the ALICE Threshold, cont.

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

Source: Figure 22 file:///C:/Users/H1WMR01/Downloads/2012_UWNNJ_ALICE%20Report_FINAL2.pdf
## Consequences of Households Living Below the ALICE Threshold, cont.

<table>
<thead>
<tr>
<th>HEALTH CARE</th>
<th>Impact on ALICE</th>
<th>Impact on Everyone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underinsured</td>
<td>Forego preventive health, more out of pocket expense; less healthy</td>
<td>Workers sick in the workplace, spread illness, less productive</td>
</tr>
<tr>
<td>No insurance</td>
<td>Forego preventive health care; use emergency room; less healthy</td>
<td>Higher insurance premiums; burden on health care system</td>
</tr>
<tr>
<td>INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low wages</td>
<td>Longer work hours; pressure on other family members to work (drop out of school)</td>
<td>Tired and stressed worker; higher taxes to fill the gap</td>
</tr>
<tr>
<td>No wages</td>
<td>Frustration of looking for work and social services</td>
<td>Less productive society; higher taxes to fill the gap</td>
</tr>
<tr>
<td>No savings</td>
<td>Low credit score, bank fees, higher interest rates</td>
<td>Less stable financial system; more public resources need to address ALICE crises</td>
</tr>
</tbody>
</table>

Source: Figure 22 file:///C:/Users/H1WMR01/Downloads/2012_UWNNJ_ALICE%20Report_FINAL2.pdf
U.S. Actual and Potential Buying Power by Race and Ethnicity

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
U.S. Growth in Buying Power by Race and Ethnicity (Dollars: Potential Minus Actual)

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
U.S. Growth in Buying Power by Race and Ethnicity, cont.
(Percent of Real GDP: Potential Minus Actual)

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
U.S. Growth in Black Buying Power
by Type of Household Expense

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
U.S. Growth in Latino Buying Power by Type of Household Expense

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
Growth in Black Buying Power in Reserve Bank Metro Areas
(Dollars: Potential Minus Actual)

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
Growth in Black Buying Power in Reserve Bank Metro Areas
(Percent of Real GDP: Potential Minus Actual)

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# Removing Barriers to Work Removes Barriers to Equity

<table>
<thead>
<tr>
<th>Not working</th>
<th>Potential Reasons</th>
</tr>
</thead>
</table>
| Young Adults, usually defined as those between the age of 16 and 24. | • More inclined to doing gig work.  
• Lack of soft skills in combination with mental health issues make it harder to remain in the workforce. More young adults reported anxiety during the pandemic than others.  
• Misperception of what work looks like. For example, expecting remote working opportunities even for entry level work. |
| Parents (especially mothers of young children) | • Access to safe and affordable childcare  
• Pandemic forced closures of many childcare businesses that haven't come back.  
• Lack of flexible schedules to accommodate with available childcare. |
| People with a disability | • A lack of understanding of different types of disabilities  
• A lack of understanding about people’s abilities and how they are a source of untapped talent.  
• Face major barriers such as transportation |
| Justice Involved | • Limitations of where people can work.  
• Perceptions about people who are justice involved.  
• Reputational risk for employers especially in customer facing roles. |
Summary and Conclusions

• States and metro areas with biggest gains to equity have the following:
  – Lower black-white household income ratios
  – Regardless of race and ethnicity, they have larger ALICE populations

• Southern economies could experience the largest gains from pursuing economic equity

• Address skills shortages
  – Skills and Competencies
  – Balance work and caring for family
  – Safe and fair workplaces
  – Financial Inclusion

• Businesses in the housing, transportation, and food sectors have the greatest potential for expansion
Questions for Your Consideration

• How do we pursue equity? Increase access to work and consumption:
  – How do we ensure that workers have the skills and health care that provide lifelong economic security?
  – How do we accommodate workers’ needs to balance their jobs and with caring for their families?
  – How do we ensure that all workers have opportunities in America’s workforce and that our diverse population works in safe and fair workplaces?

• Common Thread: Strengthen financial inclusion such that all can thrive.
Suggested Reading

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

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
Growth in Black Buying Power in New England States (Percent of Real GDP: Potential Minus Actual)

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Growth in Black Buying Power in New England States (Percent of Real GDP: Potential Minus Actual)

United States: 3.0%
Connecticut: 2.5%
Delaware: 3.7%
Maine: 0.4%
Massachusetts: 1.5%
New Hampshire: 0.1%
Rhode Island: 1.6%

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
Growth in Black Buying Power in New England Metro Areas
(Dollars: Potential Minus Actual)

<table>
<thead>
<tr>
<th>City</th>
<th>Potential</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worcester</td>
<td>467,000,000</td>
<td></td>
</tr>
<tr>
<td>Springfield</td>
<td>822,000,000</td>
<td></td>
</tr>
<tr>
<td>Providence</td>
<td>931,000,000</td>
<td></td>
</tr>
<tr>
<td>Portland</td>
<td>105,000,000</td>
<td></td>
</tr>
<tr>
<td>Pittsfield</td>
<td>72,000,000</td>
<td></td>
</tr>
<tr>
<td>Norwich</td>
<td>283,000,000</td>
<td></td>
</tr>
<tr>
<td>New Haven</td>
<td>54,600,000</td>
<td></td>
</tr>
<tr>
<td>Manchester</td>
<td>38,100,000</td>
<td></td>
</tr>
<tr>
<td>Hartford</td>
<td>11,200,000</td>
<td></td>
</tr>
<tr>
<td>Lewiston</td>
<td>43,700,000</td>
<td></td>
</tr>
<tr>
<td>Bridgeport</td>
<td>64,700,000</td>
<td></td>
</tr>
<tr>
<td>Boston</td>
<td>7,000,000,000</td>
<td></td>
</tr>
<tr>
<td>Pittsfield</td>
<td>2,160,000,000</td>
<td></td>
</tr>
<tr>
<td>Lewiston</td>
<td>2,330,000,000</td>
<td></td>
</tr>
<tr>
<td>Concord</td>
<td>8,000,000,000</td>
<td></td>
</tr>
<tr>
<td>Hartford</td>
<td>8,000,000,000</td>
<td></td>
</tr>
<tr>
<td>Lewiston</td>
<td>8,000,000,000</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
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<td>Lewiston</td>
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Growth in Black Buying Power in New England Metro Areas (Percent of Real GDP: Potential Minus Actual)

- Worcester: 1.0%
- Springfield: 2.7%
- Providence: 1.2%
- Portland: 0.3%
- Pittsfield: 1.2%
- Norwich: 1.7%
- New Haven: 3.9%
- Manchester: 0.2%
- Lewiston: 0.8%
- Hartford: 2.4%
- Burlington: 0.3%
- Bridgeport: 2.9%
- Boston: 1.6%
- Barnstable Town: 0.5%
- Bangor: 0.2%

Notes: Author’s calculations from 2021 ACS of the U.S. Census, Bureau of Labor Statistics and “The Multi-Cultural Economy” published by the Selig Center for Economic Growth, Terry College of Business at the University of Georgia.
Growth in Latino Buying Power in New England Metro Areas
(Dollars: Potential Minus Actual)

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Growth in Latino Buying Power in New England Metro Areas (Percent of Real GDP: Potential Minus Actual)

<table>
<thead>
<tr>
<th>City</th>
<th>Growth in Latino Buying Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worcester</td>
<td>3.7%</td>
</tr>
<tr>
<td>Springfield</td>
<td>8.8%</td>
</tr>
<tr>
<td>Providence</td>
<td>3.4%</td>
</tr>
<tr>
<td>Portland</td>
<td>0.2%</td>
</tr>
<tr>
<td>Norwich</td>
<td>0.9%</td>
</tr>
<tr>
<td>New Haven</td>
<td>4.9%</td>
</tr>
<tr>
<td>Manchester</td>
<td>1.1%</td>
</tr>
<tr>
<td>Hartford</td>
<td>2.9%</td>
</tr>
<tr>
<td>Bridgeport</td>
<td>4.2%</td>
</tr>
<tr>
<td>Boston</td>
<td>1.9%</td>
</tr>
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Percent of Mountain and Pacific Households Below the ALICE Threshold in 2021

Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live. Values are the region’s median.
ALICE Household for CA, Sonoma and Surrounding Counties, 2021

Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live.
Percent of Mid-Atlantic and South Atlantic Households Below the ALICE Threshold in 2021

Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live. Values are the region’s median.
Percent of East and West North Central Households Below the ALICE Threshold in 2021

Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live. Values are the region’s median.
Growth in Latino and Black Buying Power in Pacific and Mountain States (Dollars: Potential Minus Actual)

Notes: ALICE – Asset Limited, Income Constrained, Employed. Households do not earn enough to afford the basics where they live.
### Growth in Latino and Black Buying Power in Pacific and Mountain States

(Percents of Real GDP: Potential Minus Actual)

<table>
<thead>
<tr>
<th>State</th>
<th>Latino</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1.92%</td>
<td>2.99%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>0.33%</td>
<td>1.70%</td>
</tr>
<tr>
<td>Washington</td>
<td>0.70%</td>
<td>1.30%</td>
</tr>
<tr>
<td>Utah</td>
<td>0.25%</td>
<td>1.20%</td>
</tr>
<tr>
<td>Oregon</td>
<td>0.24%</td>
<td>0.92%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>0.81%</td>
<td>2.36%</td>
</tr>
<tr>
<td>Nevada</td>
<td>0.23%</td>
<td>2.90%</td>
</tr>
<tr>
<td>Montana</td>
<td>0.83%</td>
<td>1.04%</td>
</tr>
<tr>
<td>Idaho</td>
<td>0.08%</td>
<td>0.47%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>0.47%</td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>0.87%</td>
<td>2.77%</td>
</tr>
<tr>
<td>California</td>
<td>0.87%</td>
<td>4.46%</td>
</tr>
<tr>
<td>Arizona</td>
<td>0.96%</td>
<td>3.37%</td>
</tr>
<tr>
<td>Alaska</td>
<td>0.78%</td>
<td>1.28%</td>
</tr>
</tbody>
</table>

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

Red Bluff, CA
Chico, CA
San Luis Obispo, Paso Robles, CA
Eureka, Arcata, CA
Hanford, Corcoran, CA
Oxnard, Thousand Oaks, Ventura, CA
San Jose, Sunnyvale, Santa Clara, CA
Fresno, CA
Sacramento, Roseville, Folsom, CA
San Diego, Chula Vista, Carlsbad, CA
Los Angeles, Long Beach, Anaheim, CA

0 5,000,000,000 10,000,000,000 15,000,000,000 20,000,000,000 25,000,000,000
Percent black of GDP

Chico, CA
San Luis Obispo.Paso Robles, CA
Salinas, CA
Madera, CA
Modesto, CA
Fresno, CA
Sacramento.Roseville.Folsom, CA
San Diego.Chula Vista.Carlsbad, CA
Los Angeles.Long Beach.Anaheim, CA

0.0% 0.5% 1.0% 1.5% 2.0% 2.5% 3.0% 3.5%
Latino dollar value

San Francisco, Oakland, Berkeley, CA
   Napa, CA
   Merced, CA
San Luis Obispo, Paso Robles, CA
   Yuba City, CA
   Chico, CA
   Hanford, Corcoran, CA
Santa Cruz, Watsonville, CA
   Santa Rosa, Petaluma, CA
   Madera, CA
   El Centro, CA
   Modesto, CA
Santa Maria, Santa Barbara, CA
   Stockton, CA
   Salinas, CA
   Visalia, CA
   Oxnard, Thousand Oaks, Ventura, CA
   Bakersfield, CA
Sacramento, Roseville, Folsom, CA
   Fresno, CA
Riverside, San Bernardino, Ontario, CA
San Diego, Chula Vista, Carlsbad, CA
Los Angeles, Long Beach, Anaheim, CA

0  20,000,000,000  40,000,000,000  60,000,000,000
Latino percent

- Napa, CA
- Merced, CA
- San Luis Obispo, CA
- Paso Robles, CA
- Yuba City, CA
- Chico, CA
- Hanford, CA
- Corcoran, CA
- Santa Cruz, CA
- Watsonville, CA
- Santa Rosa, CA
- Petaluma, CA
- Madera, CA
- El Centro, CA
- Modesto, CA
- Santa Maria, CA
- Santa Barbara, CA
- Stockton, CA
- Salinas, CA
- Visalia, CA
- Oxnard, CA
- Thousand Oaks, CA
- Ventura, CA
- Bakersfield, CA
- Sacramento, CA
- Roseville, CA
- Folsom, CA
- Fresno, CA
- Riverside, CA
- San Bernardino, CA
- Ontario, CA
- San Diego, CA
- Chula Vista, CA
- Carlsbad, CA
- Los Angeles, CA
- Long Beach, CA
- Anaheim, CA

Bar chart showing the Latino percent for various cities in California, with some cities showing higher percentages than others.