

Chapter 8  
THE POTENTIAL OF THE SANTA FE DEVELOPMENT  
PROPOSAL ON UNEMPLOYMENT IN BERKELEY

Jillane Newsom

Introduction

Currently, Berkeley's unemployment rate is over 6%, one of the highest unemployment rates of any city in California with a population over 100,000. Although everyone in the community is affected by unemployment, the nonwhite (mainly black) and those on fixed incomes are hurt the most.

In light of this situation, the City of Berkeley, various neighborhood and community organizations, and several development corporations have submitted a variety of long-range programs that address the unemployment problem in Berkeley. One of the most recent is a development proposal by the Santa Fe Land Improvement Company that includes creating 12,000 jobs at the Berkeley Waterfront.

Unfortunately, there seems to be a conflict of interest between the need for more open space and recreational uses on the Berkeley waterfront and the need for development and more jobs for Berkeley residents at this location. The problem of unemployment in Berkeley, having identifiable causes and obvious ill effects, is now inadequately treated but might be alleviated by developing some of the Berkeley waterfront lands. The purpose of this paper is two-fold: (1) to present a broad overview of the current unemployment situation in Berkeley, and (2) to examine both the positive and negative aspects of the Santa Fe development proposal on local unemployment. The intention of this overview is to aid the City of Berkeley in its efforts to develop and implement a suitable community economic development program that will meet the needs of the unemployed.

Some past studies have been conducted on the problem of unemployment in Berkeley. The First Employment Survey for the City of Berkeley was prepared by Far West Surveys in 1966 (Far West Surveys, 1966). An extensive study of the patterns of unemployment in Berkeley was conducted by Professor Jan E. Dizard at the University of California/Berkeley for the Survey Research Center during 1967-68. In 1973, the California Employment Development Department (EDD) began to estimate unemployment in Berkeley. Additional data on unemployment are found in the Association of Bay Area Governments (ABAG) census area profiles for 1980. Information used in this paper was collected from these publications and others. In addition, some personal communications with community leaders and an informal survey of Berkeley residents were used to compile this report.

### Unemployment in Berkeley

For the past decade, the unemployment rate for Berkeley has been higher than the average for Alameda County as a whole (Markusen et al., 1981). In 1980, there were 3,732 unemployed persons, an unemployment rate of 6.7%, and Berkeley's civilian labor force was 54,897 (ROMA, 1985). During this same year, there were 34,827 Berkeley residents out of the labor force, including "discouraged workers" or people who have stopped looking for work.

The California Employment Development Department keeps a record of the persons who register with the agency for jobs. In addition, there are data on the occupational characteristics of the registrants. However, the data do not reflect the skills of the unemployed. The data are based solely on the occupations of the registrants before they became unemployed. Moreover, the type of job that a person has held and the skills that one possesses are not necessarily the same. Thus, EDD does not really know the skills of the persons registered. Another problem with EDD's records is that not all of the persons registered with the agency are Berkeley residents, and not all unemployed persons are registered (ROMA, 1985).

A better estimation of the number of unemployed Berkeley residents could be made by employing the Bureau of Labor Statistics' method of conducting a weekly survey based on the number of new claims filed for unemployment compensation. In this survey, any person that looks for work in the present or past week and does not find a job, is counted as unemployed. In addition, this system keeps a record of those people who are not registered with EDD and many more of the discouraged workers.

Table 1 presents the demographic characteristics of persons registered with EDD in 1983 and 1984. There was a 12% increase in the total number of registrants with EDD for jobs in 1984 over 1983 (ROMA, 1985). The number of black registrants increased 21.6% between 1983 and 1984, whereas the number of white registrants fell 2%. Registration for employment by Hispanics increased by 48% for this same period. Blacks, Hispanics, Native Americans, and Asians together accounted for 53.5% of Berkeley's unemployed residents in 1983.

The number of teenage registrants with EDD increased from 3% in 1983 to 10% in 1984 (ROMA, 1985). Seemingly, the rise in the number of teenage registrants is associated with an increase in registrants that have less than a high school education. The total number of registrants without a high school education has increased from 11% in 1983 to 18% in 1984.

### Reasons for Unemployment

There have been many reasons suggested for the high unemployment rate in Berkeley. Some of the reasons are based solely on economics, whereas others are based on surveys. Unemployment exists in Berkeley in part because of the "natural rate", or nonaccelerating rate, of unemployment in the economy (Dickens, 1984). The "natural rate" refers to the rate of unemployment attainable without causing increasing inflation.

One reason suggested for unemployment in Berkeley is that there are not enough jobs to employ all the residents seeking employment (Dickens, 1984). For the past decade, Berkeley has been losing jobs (ROMA, 1985). The number of jobs declined 6% between 1970 and 1980, whereas households declined only 2% during the same period. Another argument is that there has been an increase in transfer payments, such as unemployment compensation and foodstamps (Dickens, 1984). This reduces the costs of unemployment.

Another reason suggested for the high unemployment rate in Berkeley has to do with the increase in the number of teenagers and women in the labor force who do not need to work and therefore inflate the unemployment rate (Dickens 1984). Women tend to have higher unemployment rates than men. The main reason for this higher unemployment rate is that women exit the labor force more often to have children.

SEX	1983		1984		Percent Change
Male	3,605		4,135		+14.7
Female	3,710		4,065		+ 9.6
TOTAL	7,315		8,200		+12.1

RACE	1983		1984		Percent Change
	Number	Percent	Number	Percent	
White	3,360	50.0	3,290	40.0	- 2.1
Black	2,965	41.0	3,605	44.0	+21.6
Hispanic	405	6.0	600	7.0	+48.1
Amer. Indian & Nat. Alaskan	40	.5	35	.4	-12.5
Asian & Pacific Islander	450	6.0	495	6.0	+10.0
Unavailable	95	1.2	160	1.9	-0-
TOTAL	7,315	100.0	8,185	100.0	+11.9

AGE GROUPS	1983		1984		Percent Change
	Number	Percent	Number	Percent	
15 & Under	5	.06	80	.97	+1,500
16-19	210	2.80	730	8.90	+ 248
20-21	390	5.30	475	5.70	+ 22
22-39	5,265	71.90	5,190	63.30	- 1
40-54	1,125	15.30	1,335	16.20	+ 19
55 & Over	320	4.30	385	4.60	+ 20

EDUCATION	1983		1984		Percent Change
	Number	Percent	Number	Percent	
0-7 (years)	185	2	175	2	- 5.4
8-11	920	9	1,300	16	+41.3
12	3,110	36	3,105	39	- .16
12 & higher	5,635	57	3,350	42	-40.6
TOTAL	9,850	100	7,930	100	-19.5

TABLE 1. Demographic Characteristics of Persons Registered For Employment.

Source: ROMA, 1985

In addition, some women enter the labor force in order to earn a second family income. Because this second job may not be as important or as high paying as the husband's job, there may be a greater chance of the wife quitting or changing jobs.

A 1968 study revealed that lack of education or job skills was not the main reason for unemployment in Berkeley (Dizard, 1968). At that time, the level and quality of education of blacks in Berkeley was not significantly different from that of whites. In addition, the study indicated that the job skills and job-holding qualifications of employed Berkeley residents were not much different from those unemployed. Dizard concluded that racial discrimination was the reason for the high unemployment rates found among minorities.

In 1984, I conducted an informal survey of Berkeley residents with whom I came in contact at school, on the bus, and on the streets. I wanted to find out if the main reason for unemployment had changed between 1968 and 1984. First, I introduced myself and asked prospective respondents if they were Berkeley residents. Next, I told them that I was preparing a report for class concerning unemployment in Berkeley and asked the respondent what he thought the principal reason was for the high unemployment rate among minorities in Berkeley. Table 2 provides a summary of the responses to the question. Nine residents thought that the influx of people into the Berkeley community from other places increased the competition for jobs in Berkeley. The point that the jobs of Berkeley residents were being taken away by UCB students was raised by eight citizens. Interestingly, the majority of the respondents felt that agencies responsible for job creation and development had been unable to keep skills training programs in line with the changing economy.

7

<u>Responses</u>	<u>Number of Citizens</u>
Skills training programs have not kept pace with the changing economy	12
Non-Berkeley residents increase job competition for Berkeley residents	9
Jobs are taken away from Berkeley residents by UCB students	8
Racial discrimination	6
Berkeley's occupations cater to white collar professionals	6
Reagan administration policies	4
Sexual discrimination	3
Not enough jobs for Berkeley's large population	2

Table 2. Berkeley Resident Survey Responses

According to the survey responses of Berkeley residents, racial discrimination is no longer the main reason for the high unemployment rate among minorities in Berkeley. Perhaps the high unemployment rate has more to do with resident hiring rates.

#### Berkeley Resident Hiring Rates

The degree to which employers tend to hire members of the Berkeley labor force rather than commuters is not really known. There is only a limited amount of evidence on the percentages of Berkeley jobs which go to Berkeley residents.

The 1976 Industrial Area Survey indicated that only 16% of the employees working for Berkeley-based firms lived in the city (Markusen et al., 1981). Jobs in these firms were concentrated in manufacturing, construction, transportation, communications, utilities, and wholesaling. Employers hired more outsiders in the crafts and operatives categories than for any other type of worker. Eighty-two percent of the craftworkers and 75 percent of operatives commuted into Berkeley in 1970. On the other hand, occupations with the highest percentages of Berkeley resident workers in 1970 were the professional, technical, and service categories. Fifty-two percent of the professionals and 48 percent of the workers in service categories lived in Berkeley. Thus, less than one in five workers who were hired by Berkeley-based manufacturers and construction firms lived in Berkeley, whereas one out of three workers in professional occupations lived in Berkeley.

There are several reasons for this cross-commuting. One reason is that the skills required by individual employers catering to workers in blue collar occupations differentiate the jobs available, whereas clerical work is similar in all locations (Markusen et al., 1981). Another reason is that workers in blue collar occupations may be more willing to commute longer distances than white collar workers.

In order to determine whether or not new job creation in particular sectors and occupations will benefit Berkeley residents, more evidence on resident hiring rates must be obtained.

#### Berkeley's Employment Sectors

There are strong indications that many changes have taken place in the public and private sectors of Berkeley's economy. The University of California/Berkeley and various government and health agencies are the principal components of Berkeley's public sector. The private sector includes services, retail trade, and manufacturing. In the past, Berkeley, as a producing unit within the Bay Area, specialized in sectors considered local consumption-oriented (Markusen et al., 1981). Recent trends suggest that Berkeley's employment has changed dramatically for two reasons. First, Berkeley has a high rate of professional and technical employment due to its large public sector component, particularly the University of California/Berkeley (Weiss and Markusen, 1981). Second, Berkeley can no longer depend on the traditional subsectors, such as manufacturing, for local economic revitalization. Berkeley's manufacturing

sector seems to be experiencing a gradual decline. In 1974, the manufacturing sector contained 146 businesses employing 5,104 workers (CPD, 1977). This sector accounted for 38% of all industrial area firms and 72% of all employees.

As of January, 1985, the manufacturing sector contained 1,200 businesses employing 4,315 workers (ROMA, 1985). The number of workers has decreased 29.2%. Thus, new job opportunities for unemployed Berkeley residents are unlikely in the manufacturing sector.

Berkeley's services sector has experienced the largest amount of job growth. The number of firms and total employment grew 60% during the 1978-80 period, with an increase of 1,600 jobs (Weiss and Markusen, 1981). The greatest gains were in the health and business service categories. The services sector is expected to offer some job opportunities to Berkeley's unemployed because of the large number of entry level positions (ROMA, 1985).

The retail sector in Berkeley has been growing steadily over the past ten years from 4.7% to 12.8% (Markusen et al., 1981). Currently, there are 4,148 businesses employing 6,564 workers (ROMA, 1985). The greatest gains were experienced by "eating and drinking" places (Markusen et al., 1981). Retail trade looks especially promising for the unemployed residents of Berkeley because most of the entry level positions either require no previous experience or only a minimum level of education or training.

#### Proposed Job Opportunities in the Santa Fe Development Proposal

The Santa Fe proposal is a high intensity one which calls for roughly four million square feet of offices and stores, including two 750-room hotels. In addition, the proposal outlines some potential job opportunities for the unemployed residents of Berkeley. There are both positive and negative aspects to Santa Fe's suggested jobs program.

Santa Fe conducted an employment needs analysis for the City of Berkeley to insure that the Waterfront Development Plan would be compatible with the employment needs of Berkeley's population (Sloan, 1985). This analysis was based entirely on United States Census Data for 1980. Field consultants were not sent out into the community to speak with Berkeley residents. However, Santa Fe did conduct a survey of Berkeley residents a few years ago. At that time, the respondents of the survey indicated that they did want some type of development in the community to combat the high unemployment rate.

Santa Fe's waterfront proposal indicates that an estimated 12,350 permanent jobs, 3,765 construction jobs, and 5,765 entry level jobs will be created (Santa Fe, 1983). Eleven thousand of the entry level jobs will be office-related. Entry level jobs in the proposed jobs plan will constitute 20% of short-term construction jobs and 40% of the permanent jobs.

The entry level jobs will be in three categories: clerical work, services, and sales (Santa Fe, 1984). Santa Fe's proposal indicates that the beginning level occupations in the clerical field will be secretaries, cashiers, bookkeepers, accounting clerks and word processors. Some of the proposed

service occupations are cooks, waiters/waitresses, lodging quarters cleaners, dining room attendants, and food counter/fountain workers. All types of sales-related occupations are included in the sales category.

Santa Fe has developed a targeting plan to direct at least 3,800 jobs to Berkeley residents, of which 1,000 jobs will be for previously unemployed Berkeley residents (Santa Fe, 1983). The targeting plan proposes a First Source Program to provide entry level jobs to high unemployment groups in Berkeley. Also, a Hire Berkeley Program has been suggested in the plan to ensure that Berkeley residents have preferential access to jobs at all skill levels.

In addition, Santa Fe is prepared to reach an agreement that assures a level of Minority Business Enterprise and Women Business Enterprise participation in the planning and design activities (Santa Fe, 1983). Santa Fe will enter into contracts once a development agreement has been obtained that is in accord with prevailing agreements in the Bay Area counties.

#### Pros and Cons of the Santa Fe Development Proposal

The Santa Fe Development Plan might be beneficial for the unemployed Berkeley residents for several reasons. First, the waterfront offers the City the opportunity to broaden its employment base (ROMA, 1985). The establishment of offices, such as those proposed by Santa Fe, on the waterfront can generate surplus revenues that can be used for job training and other employment programs. Second, jobs targeted toward retail and commercial recreation, like those jobs Santa Fe proposes, can provide jobs for low-skilled residents and displaced workers. Finally, waterfront development by Santa Fe can provide many job opportunities for Berkeley residents inside the City, which reduces the need for Berkeley residents to work outside of Berkeley.

Since the Santa Fe Development Plan proposes to generate the largest private sector jobs program in Berkeley's history, the unemployed residents of Berkeley might benefit from the plan. Nevertheless, there are flaws in Santa Fe's suggested jobs program.

A 1981 study indicates that it is highly unlikely that many unemployed Berkeley residents will benefit from the establishment of large firms such as those proposed by the Santa Fe Land Improvement Company (Markusen et al., 1981). Large firms tend to be capital-intensive, whereas small firms tend to be much more labor-intensive. In addition, the large firms proposed by Santa Fe will be providing mostly office-related white collar jobs that will probably require specific skills, training, and education (La Force, 1985). Since no one really knows what experience and/or skills Berkeley's unemployed workers possess, it is not possible to know if Berkeley's unemployed will benefit from office jobs in large firms.

Second, the amount of employment that can be supported on the waterfront is constrained by traffic congestion on the freeway (ROMA, 1985). Any potential industrial uses on the waterfront are constrained by the difficulty of access, the absence of suitable land for one-story plants and surface parking, the limits of sewer and water utilities, and the presence of sensitive environmental conditions.

Finally, the City of Berkeley has no real guarantee that the developer will provide all the jobs and services proposed in the development plan. Contracts would not really be binding agreements because the City of Berkeley does not have the resources or money to take legal action against a development corporation as powerful as the Santa Fe Land Improvement Company if the company does not honor any agreement made with the City of Berkeley (La Force, 1985).

### Conclusion

Although problems associated with unemployment are long-term in origin and solution, it is apparent that cities must find new ways to produce the resources necessary for their survival. One place to look appears to be at the Berkeley waterfront. Careful preparation and planning is necessary if the City of Berkeley plans to make use of this opportunity. The Santa Fe Development proposal is part of an attempt to take the first steps.

However, before a plan like Santa Fe's is implemented, a number of actions should transpire. The unemployed residents of Berkeley should be involved directly and be given a chance to create an effective jobs program that will serve their needs. Hence, the members of the City of Berkeley Economic Development Department must devise a better means of identifying the unemployed residents of Berkeley and determining the skills that these people possess. Lastly, a suitable long-range jobs program must be developed and implemented with the help of the people it is designed to serve.

The only way to solve the problem of unemployment is to determine exactly who the unemployed are and what job skills they possess. Unemployed residents in Berkeley will not be adequately served by development efforts unless such information is procured. Thus, the Santa Fe Development Plan should be revised to include more specific information on the employment needs of Berkeley residents and on the job qualifications that potential employers are seeking in Berkeley residents.

### REFERENCES CITED

- Comprehensive Planning Department (CPD), City of Berkeley, 1977 Survey of Businesses and Employment in Berkeley's Industrial Area 1974-1976. Unpublished report for the City of Berkeley, 8 pp.
- Dickens, William, Professor, University of California/Berkeley. Personal communication, November 7, 1984.
- Dizard, Jan E., 1968. Patterns of Unemployment in Berkeley, California. University of California, Survey Research Center, Berkeley, 149 pp.
- Far West Surveys, 1966. The First Employment Survey. Unpublished report for the City of Berkeley, 94 pp.
- La Force, Norman, Chairman, Sierra Club East Bay Shoreline Park Task Force. Personal communication, March 2, 1985.
- Markusen, Ann, J. Jones, N. Mayer, and N. Leigh-Preston, 1981. The Berkeley Economy: The Prospects for Economic Development Planning. Unpublished report for the City of Berkeley, 49 pp.
- ROMA, 1985. Berkeley Waterfront Plan: Summary of Opportunities and Constraints Background Analyses. Unpublished report for the City of Berkeley, 200 pp.



Santa Fe Land Improvement Company, 1983. Berkeley Waterfront Master Plan Amendment Proposal, 1983.  
The Waterfront at Berkeley: Santa Fe's Concept for the Eastshore, 1983. Berkeley Waterfront  
Land Use Proposal, 1984, 34 pp.

Sloan, Jake, Vice-President, Jefferson Associates, Inc. Personal communication, February 27, 1985.

Weiss, A.M., and A.R. Markusen, 1981. Economic Development: An Implementation Strategy for the City  
of Berkeley. Unpublished report for the City of Berkeley, 33 pp.