

Closing the Racial Pay Gap: An Equity Dividend for the Tampa Bay Area Economy

Prepared by the Tampa Bay Regional Planning Council for the Tampa Bay Partnership

Summary

Erasing racial discrimination in wealth, income and householder tenure would have wide-ranging impacts on the Tampa Bay economy. The equity dividend to the region's economy is more than \$50 billion in 2020 alone, or more than 20 percent of the eight-county region's \$248 billion Gross Regional Product.

The equity dividend is biggest in the county with the most racial diversity, Hillsborough, with a 29 percent gain in Gross Regional Product in a county that is divided equally between non-Hispanic white people and other groups.

Key Takeaways

- Eliminating racial and ethnic discrimination in wealth would add \$50 billion to the region's \$248 billion economy (a 20 percent increase)
- 374,973 new jobs would be created across the Tampa Bay due to increased consumption
- The largest and most diverse county (Hillsborough) would see the greatest overall increase in wealth (60 percent of the entire eight-county regional dividend, with 30% of the population); and
- Real disposable personal income would increase by \$51.45 billion (fixed 2020 dollars) equal to \$6,470 per capita accounting for a price shock of 36.2% due to the increased income

Background

An income gap in wages between whites, Blacks and Hispanics persists in the United States even after racial discrimination in pay and employment was made illegal by the Civil Rights Act of 1964. According to the recent *Regional Equity Report*, Black workers are paid a median hourly wage (\$16.42) that is 21 percent less than white workers (\$20.90)¹ in the Tampa Bay Region. For Hispanics of all races, the hourly wage of \$15.42 is 24 percent less than that of white workers².

While the educational attainment of white people is higher than that of African Americans — 30 percent of white people in the region hold bachelor's degrees or higher, versus 20 percent of African Americans — educational attainment does not explain wage differences, as shown in Table 1. Instead, inequality persists at every level of educational attainment.

¹ Tampa Bay Partnership (2020).

https://issuu.com/tampabaypartnership/docs/2020_regional_equity_report

² IBID

1: Mean Wage Differences Between Select Racial and Ethnic Groups and Non-Hispanic Whites in the Tampa Bay Region

Educational Attainment	Wage Differences from Non-Hispanic White People of Same Educational Level	
	Black	Hispanics, All Races
Less than High School	-20.0%	-20.3%
High School Diploma	-19.0%	-21.2%
Some College	-18.3%	-15.5%
Bachelor's Degree	-20.8%	-18.6%

Source: Tampa Bay Partnership (2020), Regional Equity Report

Together with higher poverty rates and lower homeownership rates for African Americans and Hispanics, as shown in the *Regional Equity Report*, inequality's effects are structural and pernicious, contributing to a poverty trap for those racial and ethnic groups in the region.

Pandemic Impacts, Recovery, and an Equity Dividend: Closing the Racial Wealth Gap

In the first quarter of 2020, the US economy lost 22 million jobs due to closures and layoffs related to the COVID-19 pandemic. Together, lower incomes, lower household wealth and lower penetration rates of internet access among certain racial and ethnic groups has turned the COVID-19 pandemic into a perfect storm of deepening inequalities. Even the partial recovery the United States is experiencing continues to exacerbate inequality as African Americans and Hispanics are returning to work in smaller percentages than their non-Hispanic white counterparts³.

The effects of wage and wealth inequality do not impact the affected racial and ethnic groups and their opportunities exclusively. Inequality affects all Tampa Bay area residents, making all of us poorer and less competitive with market peer group metropolitan areas.

At the request of the Tampa Bay Partnership, the Tampa Bay Regional Planning Council undertook an economic impact analysis of what would happen to the greater Tampa Bay Area (Citrus, Hernando, Hillsborough, Manatee, Pasco, Pinellas, Polk, and Sarasota counties) economy should the wealth gap disappear.

TBRPC's counterfactual economic analysis analyzed how the regional economy would be different if that wealth gap were to vanish, producing an "equity dividend" for the regional economy. Counterfactual studies simulate the conditions of some alternative set of conjectural conditions, benchmarked against the economic reality. The difference between present day economic indicators and that counterfactual is the equity dividend.

Simply put, this report details a hypothetical world where there is no economic difference between people based on their race or ethnicity.

³ <https://www.epi.org/publication/black-workers-covid/> and <https://www.epi.org/publication/latinx-workers-covid/>

Methodology

This study models three dimensions of wealth equity in the Tampa Bay region:

1. personal income,
2. educational attainment, and
3. homeownership

These variables are used to simulate an alternative 2020 where there are no economic differences between non-Hispanic white people, black people, and Hispanic people, benchmarked against the economic backdrop of existing pervasive discrimination.

As a counterfactual study, TBRPC used two steps to calculate the economic impacts of a racially and ethnically equitable Tampa Bay. First, TBRPC calculates the mean differences across each equity category between racial and ethnic groups using the Public Use Microdata Sample (PUMS), a dataset maintained by the U.S. Bureau of the Census. This data was cleaned in Excel and imported to an R programming environment where economic differences between ethnicities by county were calculated programmatically.

In the second step, TBRPC used the Tampa Bay REMI PI+ model, a sophisticated economic simulation software package to simulate what the economy would look like if each of the mean differences in all three equity categories were 'leveled up' to that of non-Hispanic whites. The exported R data frames served as inputs. More information about specific policy variables used in this study is in the **About REMI PI+** section of this report.

Equity in Personal Income

TBRPC simulated the effects of raising the median annual income of all demographic groups to that of the highest demographic (non-Hispanic whites). The median annual incomes (compensation) of the affected groups by two-digit NAICS industry was increased in the REMI model.

Equity in Educational Attainment

TBRPC made the mean educational attainment for all demographic groups equal to the demographic with the highest attainment (non-Hispanic whites). Moreover, TBRPC modeled a 'degree dividend' of increased annual income for individuals with adjusted educational attainment. TBRPC's assumptions do not impact retail and food service, as those industries usually do not require a degree nor offer a premium for an entry level worker who has one.

Equity in Home Ownership

TBRPC increased home ownership rates of minorities to that of the highest demographic (non-Hispanic whites). Accordingly, an increase in home ownership rates raised consumption of both owner-occupied housing, and spending on related goods as detailed by the BLS's Consumer Expenditure Survey. Rent spending fell, while spending on mortgages increased and the

differences between these levels of spending was reallocated in the model to other consumption categories.

Economic Analysis: Tampa Bay Region Economic Impacts of the Equity Dividend

In this section, each table summarizes the results of TBRPC’s REMI analysis showing the existing baseline for each of the economic categories and the gross change in each category and the percentage change that impact represents on the existing baseline for the eight-county study region and for each county individually.

Eight-County Tampa Bay Region Impacts

Table 2: Summary of the Equity Dividend in the Tampa Bay Region

CATEGORY	UNITS			
		2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	2,700,873	374,973	13.88%
LABOR FORCE	Individuals	2,340,317	266,262	11.38%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	248.20	50.43	20.32%
PERSONAL INCOME	Billions of Fixed (2018) \$	261.36	59.32	22.70%
PRICE INDEX	US, 2012 is 100	104.733	37.94	36.28%

Source: TBRPC REMI PI+, 2020

Citrus County

Table 3: Summary of the Equity Dividend in Citrus County

CATEGORY	UNITS			
		2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	52,666	1,616	3.07%
LABOR FORCE	Individuals	49,826	6,946	13.94%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	4.68	0.28	5.97%
PERSONAL INCOME	Billions of Fixed (2018) \$	6.45	0.46	7.17%
PRICE INDEX	US, 2012 is 100	109.00	22.27	20.43%

Source: TBRPC REMI PI+, 2020

Hernando County

Table 4: Summary of the Equity Dividend in Hernando County

CATEGORY	UNITS			
		2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	69,657	5,575	8.00%
LABOR FORCE	Individuals	74,544	9,570	12.84%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	5.05	0.47	9.83%
PERSONAL INCOME	Billions of Fixed (2018) \$	8.29	1.38	16.65%
PRICE INDEX	US, 2012 is 100	106.86	27.10	25.36%

Source: TBRPC REMI PI+, 2020

Hillsborough County

Table 5: Summary of the Equity Dividend in Hillsborough County

CATEGORY	UNITS	2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	983,184	206,254	20.98%
LABOR FORCE	Individuals	765,176	83,054	10.85%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	100.49	29.23	29.09%
PERSONAL INCOME	Billions of Fixed (2018) \$	80.28	28.22	35.16%
PRICE INDEX	US, 2012 is 100	101.40	44.07	43.46%

Source: TBRPC REMI PI+, 2020

Manatee County

Table 6: Summary of the Equity Dividend in Manatee County

CATEGORY	UNITS	2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	193,732	21,355	11.02%
LABOR FORCE	Individuals	188,326	22,949	12.19%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	16.30	2.95	18.07%
PERSONAL INCOME	Billions of Fixed (2018) \$	21.60	3.61	16.73%
PRICE INDEX	US, 2012 is 100	106.14	33.76	31.82%

Source: TBRPC REMI PI+, 2020

Pasco County

Table 7: Summary of the Equity Dividend in Pasco County

CATEGORY	UNITS	2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	197,480	35,998	18.30%
LABOR FORCE	Individuals	246,363	33,702	13.68%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	14.91	3.38	22.63%
PERSONAL INCOME	Billions of Fixed (2018) \$	25.57	7.10	27.75%
PRICE INDEX	US, 2012 is 100	106.19	31.37	29.54%

Source: TBRPC REMI PI+, 2020

Pinellas County

Table 8: Summary of the Equity Dividend in Pinellas County

CATEGORY	UNITS	2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	620,333	62,817	10.13%
LABOR FORCE	Individuals	502,386	48,745	9.70%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	56.38	8.20	14.55%
PERSONAL INCOME	Billions of Fixed (2018) \$	60.52	9.85	16.28%
PRICE INDEX	US, 2012 is 100	103.17	43.11	41.78%

Source: TBRPC REMI PI+, 2020

Polk County

Table 9: Summary of the Equity Dividend in Polk County

CATEGORY	UNITS	2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	324,349	30,584	9.43%
LABOR FORCE	Individuals	319,263	37,857	11.86%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	28.94	4.31	14.88%
PERSONAL INCOME	Billions of Fixed (2018) \$	28.91	6.35	21.97%
PRICE INDEX	US, 2012 is 100	108.03	31.53	29.19%

Source: TBRPC REMI PI+, 2020

Sarasota County

Table 10: Summary of the Equity Dividend for Sarasota County

CATEGORY	UNITS	2020 Baseline	Impact	Percent Change
EMPLOYMENT	Jobs	259,463	10,772	4.15%
LABOR FORCE	Individuals	194,434	23,438	12.06%
GROSS REGIONAL PRODUCT	Billions of Fixed (2018) \$	21.45	1.60	7.46%
PERSONAL INCOME	Billions of Fixed (2018) \$	29.76	2.35	7.90%
PRICE INDEX	US, 2012 is 100	110.05	33.16	30.13%

Source: TBRPC REMI PI+, 2020

Regional Competitiveness Report Metrics

TBRPC compared equity dividend results to metrics reported in the Tampa Bay Partnership's Regional Competitiveness Report. Notably, while net migration increases in this scenario, net new job growth increases more significantly.

Table 11: Equity Dividend Scenario Impacts on Regional Competitiveness Report Metrics

CATEGORY	UNITS	2020 Baseline	Impact	Rate
NET MIGRATION	Individuals	4,929,039*	340,756	6.91%
JOB GROWTH	Jobs	2,448,746	356,144	14.55%
GROSS REGIONAL PRODUCT (GRP)	Billions of Fixed (2018) \$	248.20	50.43	20.06%
GRP PER CAPITA	Fixed (2018) \$	41,142	5,194	12.62%

Source: TBRPC REMI PI+, 2020

*The baseline is the population of both native residents and migrants in 2020 before any introduced effects

Net migration is the proportion of new migration in the simulation to the existing population. Job growth and gross regional product (GRP) are also calculated as a proportion of the existing values. GRP per capita is calculated as the percentage difference between the REMI baseline and the scenario results applied to the 2018 Regional Competitiveness Report value which is the most recently available.

Results Summary

Erasing racial and ethnic discrimination in wealth, income and householder tenure would have wide-ranging impacts on the Tampa Bay economy. The equity dividend to the region's economy from closing the inequality gap is more than \$50 billion in 2020 alone, or more than 20 percent of the total eight-county region's \$248 billion Gross Regional Product.

The equity dividend is biggest in the county with the most racial and ethnic diversity, Hillsborough, with a 29 percent gain in Gross Regional Product in a county that is divided equally between non-Hispanic whites and other groups. Conversely, the gain is least among less diverse counties or less populous counties.

Because REMI PI+ is based on general equilibrium principles, a sudden increase in wealth invites balancing changes that are not always welcome. In this case, the study results show stark increases in the price index, increasing by more than 36 percent across the region. Given that the real disposable personal income impact is positive for every county in the study, it is accurate to say that real income has risen despite this increase in prices. This personal income indicator includes all sources of income including wages, salaries, income assets, and transfer payments. The Price Index reflects the mean of a basket of goods, not all of which rise equally. Also, in this scenario there are many new homeowners who may be spending more *prima facie*, but who are spending differently than renters, and are paying into their own asset rather than simply paying rent.

Results also indicate a strong increase in the size of the labor force, increasing by more than 11 percent. Some of that increase is likely to originate within the region, as residents currently not participating in the labor market enter it, while the rest would be in-migrants from other parts of Florida. This study was only examining an increase in racial/ethnic equity in the Tampa Bay, so other areas of Florida did not receive any direct economic benefits. This view likely concentrated migration in the Tampa Bay in a way that would reflect a statewide racial/ethnic equity. Intuitively, this makes sense — some of the most attractive and highest paying job markets in the United States, such as the San Francisco Bay Area and New York City, are also notoriously expensive.

About REMI PI+

REMI PI+ is an economic modeling tool that supports economic and demographic analysis of many different policy issues. In this case, TBRPC used REMI PI+ to simulate the economic impacts of an equity dividend across several areas of racial wealth inequality in the Tampa Bay area. The REMI model builds upon decades of research and various data sources, econometric models and an input-output model that tracks the flow of spending through the economy from consumer or producer spending to all other sectors of the economy.

REMI PI+ Model Structure

Figure 1 depicts the interactions within the REMI model among five economic “blocks.”

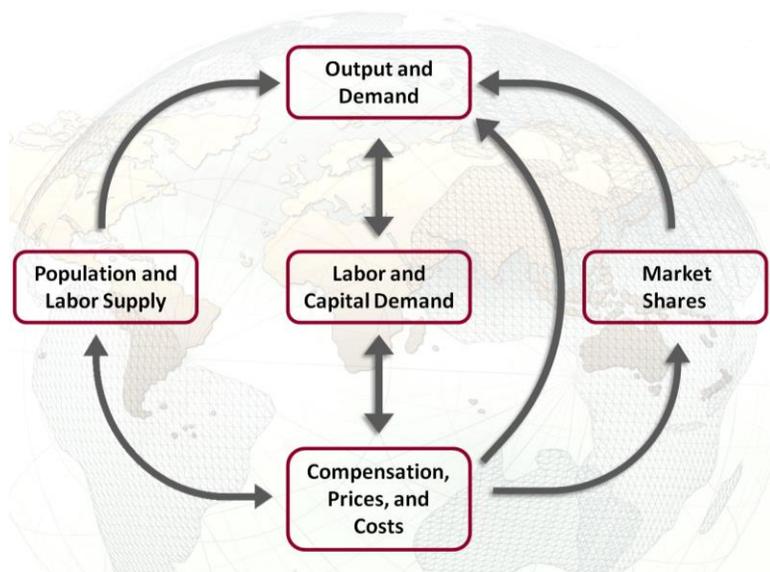
Imagine a factory (the Output block) that sells to all the sectors of final demand as well as to other industries. The Labor and Capital Demand block shows how labor and capital requirements depend both on output and their relative costs. Population and Labor Supply are shown as contributing to demand and to wage

determination in the product and labor market. The feedback from this market shows that economic migrants respond to labor market conditions. Demand and supply interact in the Wage, Price and Profit block. Once prices and profits are established, they determine market shares, which along with components of demand, determine output.

The REMI model brings together all the above elements to determine the value of each of the variables in the model for each year in the baseline forecasts. The model includes all the inter-industry relationships that are in an input-output model in the Output block, but goes well beyond the input-output model by including the relationships in all the other blocks shown in figure 5.4.

To broaden the model beyond the standard Input-Output methodology, it was necessary to estimate key relationships. This was accomplished by using extensive data sets covering all areas in the country. These large data sets and decades of research effort have enabled REMI to simultaneously maintain a theoretically sound model structure and build a model based on all the relevant data available.

Figure 1 The REMI Model



The model has strong dynamic properties, which means that it forecasts not only what can happen but when it can happen. This results in long-term predictions that have general equilibrium properties. This means that the long-term properties of general equilibrium models are preserved without sacrificing the accuracy of event timing predictions and without simply taking elasticity estimates from secondary sources.

Equity Dimension	REMI PI+ Modeling Approach
Wage Equity	<p>TBRPC will simulate the effects of raising the median annual income of all demographic groups to that of the highest demographic (non-Hispanic whites).</p> <p>Policy Variable: Compensation of the affected groups by will be increased across two-digit NAICS industries.</p>
Educational Attainment Equity	<p>The educational attainment for all demographic groups will be made equal to the demographic with the highest attainment (non-Hispanic whites). The individuals with adjusted educational attainment will be assumed to attain a ‘degree dividend’ of increased annual income. This is not assumed to impact retail and food service, as they usually do not require a degree nor offer a premium for an entry level worker which has one.</p> <p>Policy Variable: Compensation – All industries, excluding Retail Trade & Food Service and Drinking Places (increase)</p>
Home Ownership Equity	<p>Home ownership will be increased to that of the highest demographic (non-Hispanic whites). The home ownership rate will be set higher for all other groups, and they will be assumed to be previously renting and then buying a median-priced house. There will be an increase in consumption of both owner-occupied housing, and spending on related goods as detailed by the BLS’s Consumer Expenditure Survey.</p> <p>Rent spending will fall, while spending on mortgages will increase and the differences between these levels of spending will be assumed to reallocate to other consumption categories.</p> <p>Policy Variables:</p> <ol style="list-style-type: none"> 1. Industry Sales – Real Estate (increase) 2. Consumer Spending – Rent of tenant-occupied nonfarm housing (decrease) 3. Consumption Reallocation – All Other Consumption Categories (increase, difference between 3 and 4)

Glossary

Employment: Jobs, part-time, full-time or a mix thereof.

Labor Force: Working-age population, employed or seeking employment

Personal Income: Personal Income represents wages and income for all jobs.

Gross Regional Product: Market value of goods and services produced by the eight Tampa Bay Region counties (Gross Regional Product, or GRP) or the entire state of Florida (Gross State Product, GSP), depending upon context. Similar to Gross Domestic Product, but at the sub-national level.

Price Index: Using prices in 2012 as the base year of a starting index of 100, the price index indicates the change in costs over that base year across a basket of goods and services.

This report was prepared by staff at the Tampa Bay Regional Planning Council (TBRPC). The principal authors were Harry Walsh, Economic Development Planner, and Randy Deshazo, Director of Planning and Research.

About Tampa Bay Regional Planning Council (TBRPC)

TBRPC supports local government initiatives and projects with planning services and economic analysis throughout the West Central Florida counties of Citrus, Hernando, Hillsborough, Manatee, Pasco, and Pinellas.

Economic analysis services are provided through TBRPC's Tampa Bay Economic Development District and the Regional Economic Analysis Program. TBRPC uses state-of-the-art computable general equilibrium and input-output models to assist its partner agencies in assessing the impacts of potential job creating projects and investment, as well as the economic analysis of environmental and public policy issues.