



Can California Sustain a Viable Middle Class?

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Last year the Brookings Institute generated national headlines when it all but pronounced the middle class in America dead on arrival. Pessimists contend that the gap between rich and poor is widening with the middle class getting squeezed; middle class being defined as 80 to 120 percent of the median income nationally, which in California would put a family's annual income between \$40,000 to \$100,000.

Often cited is the spiraling cost of home ownership, the ever increasing push out of central city cores and suburbs into farther and more remote communities with poor public transportation available. Also touted are the heavier burdens of higher gas prices, health insurance and other household expenses.

The Brookings study depicted Los Angeles as the most hollowed-out metropolitan area in the country over the past three decades where the share of poor neighborhoods was up 10 percent, rich neighborhoods up 14 percent and middle-income areas down by 24 percent.

Rapid population growth in cities such as Los Angeles combined with rigid geographic and legal restraints on construction forced limits on the supply of affordable housing.

In Los Angeles, for example, the population grew by 11 percent between 1990 and 2002, but the number of housing units increased by just five percent. And growth won't stop with the California Department of Finance projecting that Latinos alone will account for 39.1 percent of California's population by 2020, becoming the single largest ethnic group in the state.

But do Brookings and other studies tell the whole story? The decline of middle-income neighborhoods may also be a consequence of increased economic opportunity and residential mobility, especially for upper-income minorities, where middle-income families have gotten wealthier because of rising home values and investments and simply

chosen to move to better neighborhoods, especially among minorities.

Now evidence points to a growing and vibrant middle class in California which stands unique among other states for its ethnic diversity and vitality. Growth in immigration brings a vibrancy and sense of entrepreneurship fueling growth in small businesses and investment in capital formation.

Chief among the factors pushing new growth in middle-income families is education. Education is the stepping stone into higher economic success, where the coin of the realm in a knowledge-based economy is now brains and desire, not brawn and complacency. The future of California is now linked to the educational success of those climbing the economic ladder.

Data from the California Department of Finance indicates that although California continues to add jobs, there is a growing gap between high skill, high paying jobs and low skill, lower paying jobs. Part of this squeeze results from the increasing loss of lower skill, higher paying jobs commonly associated with manufacturing and the aerospace sector, but is also reflective of fundamental changes in our economy as we move to a knowledge-based economy spurred by the tech and Internet boom.

Studies have shown that increased education correlates strongly with attainment of white-collar careers. For example, of Latinos who completed high school, 19 percent will hold a white-collar job, increasing to 60 percent for those who obtain a bachelor's degree or higher.

The restaurant industry, the largest private employer in the country, has generated 15 straight years of new job growth according to the National Restaurant Association (NRA); last year alone adding a full percentage point of new jobs above the national average. In California, the NRA estimates our industry will experience 15.4 percent job growth over the next

10 years. Those jobs hold the promise of providing economic stability and support for those seeking an education.

These forces led IHOP to make changes in our own business, where we became a more thoughtful and strategic company to participate in and benefit from these socio-economic shifts. We focused on becoming a better community partner aimed at making a difference. We improved relations with our franchisees, and we sought out creative, bright, smart people who think outside the box to drive our business.

IHOP takes great pride in being part of this industry, and we take even greater pride in our commitment to our employees. With our Richard K. Herzer scholarship program, we focus on providing educational opportunities for IHOP Corp. employees and employees of our franchisees. This group, and their immediate families, is eligible to receive scholarships for secondary education.

What is even more significant is how our industry is often the stepping stone to management and ownership opportunities where three out of five owners of restaurants are women or minorities, and three out of four food service managers have household incomes of \$50,000 or more.

As business leaders and elected officials, we must develop ways to help foster growth by investing in our human capital and tapping into executive brain power for solutions. We must build training and mentoring programs to give our employees, especially young minority employees, an educational jumpstart and steer them towards successful occupational or academic careers in college.

We must recognize that with the rapid growth in Latinos, significant numbers of African Americans may become increasingly disenfranchised, especially among the young who do not necessarily view education as the pathway to eventual success.

To that end, the private sector must make deeper commitments to education beyond simply making contributions or buying computers for classrooms. We must create a culture of learning, whether it is in how we train employees, mentor or tutor them in job skills, we must grow in them the same desire

to learn and educate themselves they will need in pursuing a college career.

Our industry has traditionally been a leader in providing educational opportunities and serving as an economic support for many young people beginning or continuing their higher education. This same emphasis and supportive environment should permeate all sectors of our economy.

We must make educational opportunities more easily available and accessible be it through scholarships or preserving seniority when employees take an educational leave because education creates desire and economic growth with new ideas, new businesses and new job creation.

And government must follow the same blueprint for success by investing in creating and supporting more helpful environments for economic and educational success. Some ideas worthy of consideration offered by experts include developing community-specific plans built on local opportunities and goals and using economic development, redevelopment and job training funds for these strategies and making land use decisions through zoning and permits supporting growth of a sustainable economy, while providing for efficient transportation, affordable housing and mixed use growth.

Just as our company cannot function without the adequate infrastructure and support to make our franchisees and employees successful, our economy as a whole cannot without the same thoughtful support from government, government and community leaders.

With almost 100 IHOP restaurants in Los Angeles alone, our presence in the community puts us on the frontlines in providing an initial point of entry for first-time workers. We place a premium on providing opportunity, and believe soundly in enabling our workers to gain academic support for educational freedom.

And only through more profound public/private partnerships focused on these same goals can we ensure the preservation and growth in our middle-class.