

Poverty, Jobs and the Los Angeles Economy

An Analysis of U.S. Census Data and the Challenges Facing Our Region

Los Angeles Alliance for a New Economy

August 28, 2007



EXECUTIVE SUMMARY

The census data for 2006 released today paint a mixed picture of the Los Angeles economy. While median household income in L.A. County edged up slightly in 2006 and family poverty rates decreased over the previous year, millions of county residents still lack access to the basic necessities.

Indeed, L.A.'s status as one of the nation's capitals of economic deprivation remains unchanged, with nearly 40 percent of the county's residents unable to meet their basic needs, close to one third of full-time workers earning less than \$25,000 a year and more than 20 percent of children living in extreme poverty. This picture is aggravated further by low rates of health insurance and the rising cost of living.

One of the chief causes of Los Angeles' woes is an economy that produces too many low-wage jobs. Indeed, the Census data bear out that many of the very poor are working people. Los Angeles County has shed 170,000 manufacturing jobs in the past decade—jobs that were more likely to provide a decent standard of living for working people—and replaced them with service sector jobs, many of them paying meager wages. The rise in low-wage jobs is likely to continue; half the occupations with the most projected new jobs pay low wages. In addition, the number of jobs in the formal economy has declined since 1990, while there has been growth in the often marginal and low-paying informal sector and in the number of self-employed.

However, there have also been promising developments. Los Angeles continues to boast an extremely diverse economy, and there has been growth in some higher-wage industry sectors like health care and finance. The state's minimum wage has been increased five times in the past ten years, although its purchasing power is still 28 percent below its 1968 value. The Los Angeles Living Wage Ordinance, adopted in 1997, has boosted wages for more than 10,000 jobs in the City of Los Angeles. Union organizing campaigns in the health care, janitorial and hotel sectors have begun to transform low-wage industries and occupations. The recently settled contract for more than 65,000 Southern California grocery workers reversed a trend of declining job standards in the industry. But much more remains to be done to ensure that the benefits of growth reach all Los Angeles residents.

KEY FINDINGS

Poverty

- **Almost two out of five Los Angeles County residents do not have enough income to meet their basic needs and may qualify for government anti-poverty programs.** These 3.7 million residents live below 200 percent of the federal poverty line, or \$40,000 per year for a family of four in 2006. The cities of Los Angeles and Long Beach fair worse than the County, with about 43 percent of residents living below 200 percent of the federal poverty line in 2006.
- **The number of families in extreme poverty declined from 13.4 percent in 2005 to 12.4 percent in 2006.** More than one-quarter of a million families in Los Angeles County live below the federal poverty line.
- **An estimated 15.4 percent of Los Angeles County residents live below the federal poverty threshold,** considered in this report to be a measure of extreme need. The County's federal poverty rate is higher than the rate for California and the nation (both are at 13 percent). More than 20 percent of the County's children live in extreme poverty.
- **Many people are very poor even though they are working.** The majority of Los Angeles County families living in extreme poverty (60 percent) include adults who have worked part or full time during the year. Forty-three percent of the adults living in extreme poverty (below the federal poverty line) told surveyors that they had worked either full or part time during the past 12 months.
- **Latinos and African Americans are most likely to be extremely poor,** with rates two-and-a-half times as great as those of non-Hispanic whites.

Income and Wages

- **Median household income in Los Angeles County edged up slightly to \$51,315 in 2006 over the previous year.** However, the typical Los Angeles County household has only just caught up to where it was in 2000, the peak of the last economic expansion.
- **Almost one-third of the County's 3 million full-time workers earned less than \$25,000 per year, well below the amount needed to support a family in 2006,** according to the new census data. Low earnings translate into low incomes. An estimated 35 percent of households had incomes below \$35,000 per year in 2006.
- **Median wages in Los Angeles County have increased an average of one percent a year since 1996.** Very modest to negligible real wage growth has occurred for both high- and low-wage workers and among different ethnic groups over the past ten years.
- **Five of the ten occupations in Los Angeles County with the most projected new jobs provide low wages, including food service workers, sales associates and transportation**

workers. Future job growth projections suggest that low-wage occupations will continue to play an important role in the economy.

- **Two of the industries with the most employment growth in the past ten years pay an average annual wage of less than \$30,000.** The industry sector with the most growth during this period has been leisure and hospitality, which added almost 70,000 jobs that pay on average \$26,676 per year, according to the California Employment Development Department.

Health Care

- **There were 2.1 million children or adults uninsured for all or part of the year in Los Angeles County in 2005.** Poor people have seen declining rates of job-based health care.
- **The lack of health insurance represents an added burden for Los Angeles County's poor.** Forty-two percent of adults living below 200 percent of the poverty line lack any health insurance, and only 20 percent had health insurance through an employer in 2005.
- **Jobs in some of the fastest-growing sectors of the economy are likely to lack health insurance.** Almost one-third of construction workers and leisure and hospitality workers lack any kind of health insurance, either public or private.

CONCLUSIONS

A multi-pronged approach is needed to address these failures in the regional economy, and all stakeholders must play a role. Businesses must invest in their workforce and support policies that expand opportunity. Labor unions should rededicate themselves to raising standards through organizing workers, a proven strategy for transforming low-wage sectors of the economy. Policymakers should continue to make investment in education a top priority, as a better-educated workforce will be able to access good jobs that are created by our economy. Policymakers must also pursue strategies to raise wages in growing low-wage industries and occupations. Finally, a healthy economy needs a healthy workforce. Addressing the low rates of health insurance and the lack of health insurance for the poor remains a central task.

ABOUT THIS BRIEF

This report relies on the 2006 American Community Survey data released on August 28, 2007 by the U.S. Census Bureau. The analysis of ACS data has been supplemented with analysis of Current Population Survey (CPS) data, California Employment Development Department data and California Health Interview Survey data. The Economic Policy Institute conducted the analysis of CPS data. The report was prepared by Jessica Goodheart, Research Director for the Los Angeles Alliance for a New Economy, with assistance from research intern Jordan Syms.

INTRODUCTION

Los Angeles stands out among the nation's metropolitan regions as a center of innovation and the entertainment capital of the world. But Los Angeles also has the unglamorous distinction of being a capital of working poverty. The prevalence of poverty and low-wage jobs has implications for all the region's residents and institutions. It affects our schools, our neighborhoods, our ability to attract quality businesses and our health system.

The census data for 2006 released today paint a mixed picture of the Los Angeles economy. While median household income in L.A. County edged up slightly in 2006 and family poverty rates decreased over the previous year, millions of county residents still lack access to the basic necessities.

Indeed, L.A.'s status as one of the nation's capitals of economic deprivation remains unchanged, with nearly 40 percent of the county's residents unable to meet their basic needs, close to one third of full-time workers earning less than \$25,000 a year and more than 20 percent of children living in extreme poverty. This picture is aggravated further by low rates of health insurance and the rising cost of living.

One of the chief causes of Los Angeles' woes is an economy that produces too many low-wage jobs. Indeed, the Census data bear out that many of the very poor are working people. Los Angeles County has shed 170,000 manufacturing jobs in the past decade—jobs that were more likely to provide a decent standard of living for working people—and replaced them with service sector jobs, many of them paying meager wages. The rise in low wage jobs is likely to continue; half the occupations with the most projected new jobs pay low wages. In addition, the number of jobs in the formal economy has declined since 1990, while there has been growth in the often marginal and low-paying informal sector and in the number of self-employed. A failing health care system puts poor and low-income people in an increasingly precarious position.

There have been other promising developments. Los Angeles continues to boast an extremely diverse economy, and there has been growth in some higher wage industry sectors like health care and finance. The state's minimum wage has been increased five times in the past ten years, although its purchasing power is still 28 percent below its 1968 value.¹ The Los Angeles Living Wage Ordinance, adopted in 1997, has boosted wages for more than 10,000 jobs in the City of Los Angeles.² Union organizing campaigns in the health care, janitorial and hotel sectors have begun to transform low-wage industries and occupations.³ The recently settled contract for more than 65,000 Southern California grocery workers reversed a trend of declining job standards in the industry. But much more remains to be done to ensure that the benefits of growth reach all Los Angeles residents.

NEW CENSUS DATA SHOW HIGH POVERTY, LOW INCOME IN LOS ANGELES COUNTY

On August 28, 2007, the U.S. Census Bureau released American Community Survey data showing that Los Angeles County residents are poorer and earn less than residents of the state and nation, and that many of the poor are working people. High poverty and low earnings have a severe impact on children, and a disproportionate impact on Latinos, African Americans and women.

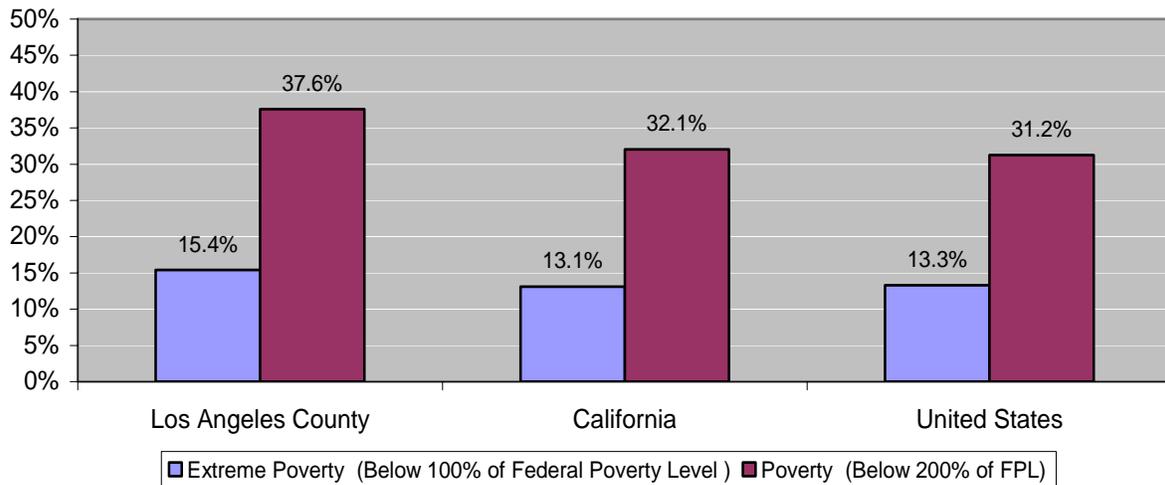
Poverty in Los Angeles County

- **Almost two out of five of Los Angeles County's 9.8 million residents do not have enough income to meet their basic needs and many qualify for government anti-poverty programs.** An estimated 37.6 percent lived below 200 percent of the federal poverty line, which was \$40,000 per year for a family of four in 2006. The cities of Los Angeles and Long Beach fair worse than the County, with 44 percent and 42.8 percent of residents living below 200 percent of the federal poverty line respectively.
- **The number of families in extreme poverty declined from 13.4 percent in 2005 to 12.4 percent in 2006.** More than one-quarter of a million families in Los Angeles County live below the federal poverty line.
- **An estimated 1,505,004 million people, or 15.4 percent of Los Angeles County residents, live below the federal poverty threshold, considered in this report to be a measure of extreme need.** The County's federal poverty rate is higher than the rate for California and the nation (both are at 13 percent). An estimated 21.8 percent of the County's children live in extreme poverty.

MEASURING POVERTY

The federal poverty guidelines are widely considered to be an inadequate measure of poverty. Devised in the early 1960s, they have never been altered to account for the rapid rise in the price of housing, health care and child care, nor do they take into account geographic difference in the cost of living. Some government anti-poverty programs – like the Healthy Families health insurance program – use eligibility thresholds even higher than 200 percent of the federal poverty level. In Los Angeles, the federal poverty line was \$20,000 for a family of four in 2006. The California Budget Project estimates that even *single* adults living in Los Angeles would need more than \$24,000 to meet their basic needs.⁴ In this report, the number of people living below 200 percent of the federal poverty line serves as a measure of those who lack the income to cover basic necessities and are therefore poor. The federal poverty level is used as a measure of the number of people living in extreme poverty.⁵

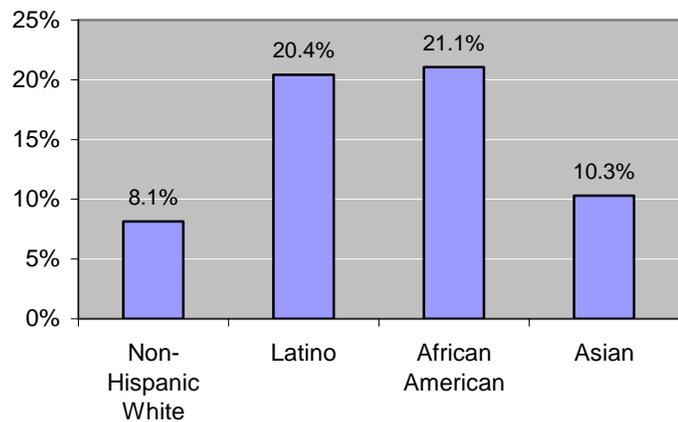
FIGURE 1: Poverty Rates for Los Angeles County, California and the Nation



Source: 2006 American Community Survey

- The majority of families living in extreme poverty (60 percent) include adults who have worked part or full time during the year.** An estimated 34 percent of the families living below the federal poverty line consist of married couples with dependent children. Of all family types, families headed by single mothers are most likely to be poor, accounting for 40.2 percent of poor families.
- Many adults suffer from extreme poverty even though they are working.** An estimated 422,797 of the County’s extremely poor residents (43 percent of the adults living below the federal poverty line) said they have worked either full or part time during the past 12 months.
- Latinos and African Americans are most likely to be extremely poor, with rates two-and-a-half times those of non-Hispanic whites.**

FIGURE 2: Individuals in Los Angeles County Living Below the Federal Poverty Line (Extreme Poverty) by Race and Ethnicity



Source: 2006 American Community Survey

Note: The racial categories used by the American Community Survey do not exclude Latinos from other racial categories (except for white). Individuals identifying as Latino and some other race may be counted twice.

Earnings and Income

- **Almost one-third of Los Angeles County's 3 million full-time workers earn less than \$25,000 per year.**

- **The typical Los Angeles County worker at the middle of the earnings distribution earns \$26,520 in wages and salary, compared to \$29,584 in California, and \$27,239 in the United States.** The typical woman in Los Angeles County earns \$22,933 per year, 76 percent of what her male counterpart earns.

TABLE 1: Full-Time Workers in Los Angeles County

<i>Workers in Los Angeles County</i>	3,046,298
<i>Workers earning less than \$25,000</i>	975,576
<i>Percentage of full-time workers earning less than \$25,000</i>	32.0%
<i>Source: 2006 American Community Survey</i>	

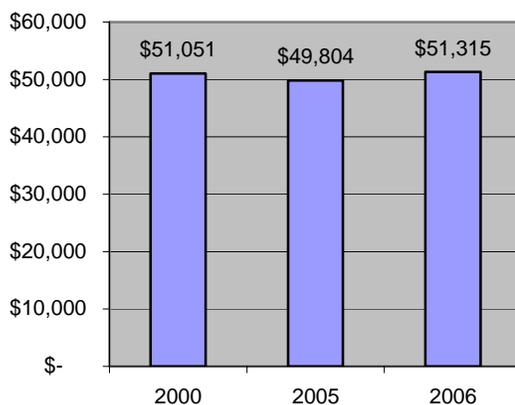
- **Low earnings translate into low incomes for Los Angeles County households.** The new data released reveals that 35 percent of households have incomes below \$35,000 per year. The amount needed for a single parent to support one child was \$38,382 in Los Angeles County in 2006.⁶ (Income includes such items as tips, stock dividends and public assistance funds in addition to the wages and salary that are counted as earnings.)
- **Median income in Los Angeles County edged up slightly to \$51,315 in 2006 over the previous year.** However, the typical household has only just caught up to where it was in 2000, the peak of the last economic expansion.

FIGURE 3: Median Earnings for Los Angeles County, California and the Nation



Source: 2006 American Community Survey

Figure 4: Median Household Income for Los Angeles County Residents (2000, 2005, 2006)



Source: 2000 Census, 2005 and 2006 American Community Survey.

STAGNATING WAGES, DECLINING HEALTH INSURANCE COVERAGE, AND A CHANGING ECONOMY

The U.S. Census Bureau's American Community Survey provides a snapshot of the current economic condition of Los Angeles County residents. Analysis of additional data sources demonstrates that the high rates of poverty and low earnings are a consequence of longer-term trends, reflecting dramatic changes in the local economy. Health care studies, meanwhile, illustrate that low rates of employer-provided health coverage constitute an added hardship for the County's poor and low-income residents.

Wages in Los Angeles County

- Median wages have increased an average of one percent per year since 1996.** Very modest to negligible wage growth has occurred for both high- and low-wage workers and among different ethnic groups over the past ten years. Low wage workers' earnings have been boosted by increases in the California minimum wage in 1997, 1998, 2001 and 2002, although the purchasing power of the state's minimum wage (which was raised to \$7.50 in 2007) is still 28 percent below its 1968 value. Los Angeles' low-wage earners – those in the tenth percentile of wage earners – brought in an average of \$7.01 per hour in 2006.

- Workers' level of education is highly correlated with their wages.** Those with a bachelor's degree or higher earn 180 percent of the County median wage, while high school graduates earn 85 percent of the County median wage.

FIGURE 5: Real Wage Growth for High Wage, Low Wage and Typical Workers in Los Angeles County

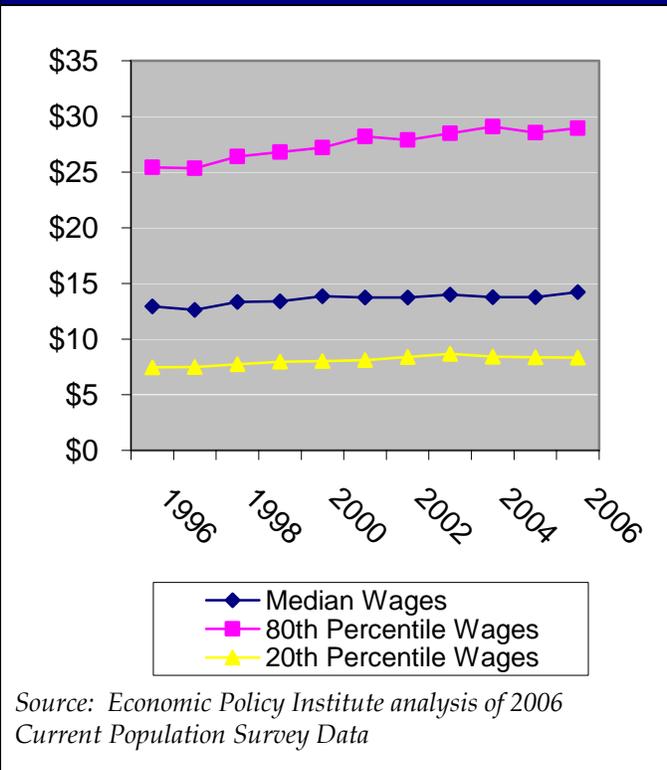


Figure 6: Median Wages by Education in Los Angeles County

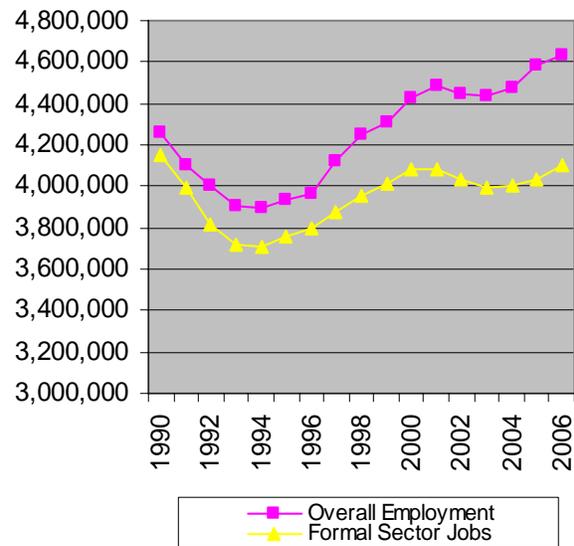
<i>Less than high school</i>	\$8.82	62%
<i>High school</i>	\$12.14	85%
<i>Some college</i>	\$14.60	103%
<i>Bachelor's or higher</i>	\$25.62	180%

Source: Economic Policy Institute analysis of 2006 Current Population Survey

Jobs in the Formal Economy Have Declined Since 1990

While the labor force has grown by more than 10 percent in the past decade, the number of jobs in the formal economy has still not reached the level of 1990. The decline in jobs in the formal economy has been accompanied by an increase in workers who are self-employed or working in the underground economy. The Economic Roundtable estimates that there are 647,500 Los Angeles County workers employed in the underground economy whose employers do not report their earnings.⁷ These workers do not have access to safety net programs – like workers’ compensation or disability insurance – and are often paid meager wages.

FIGURE 7: Employment Growth (1990 to 2006)



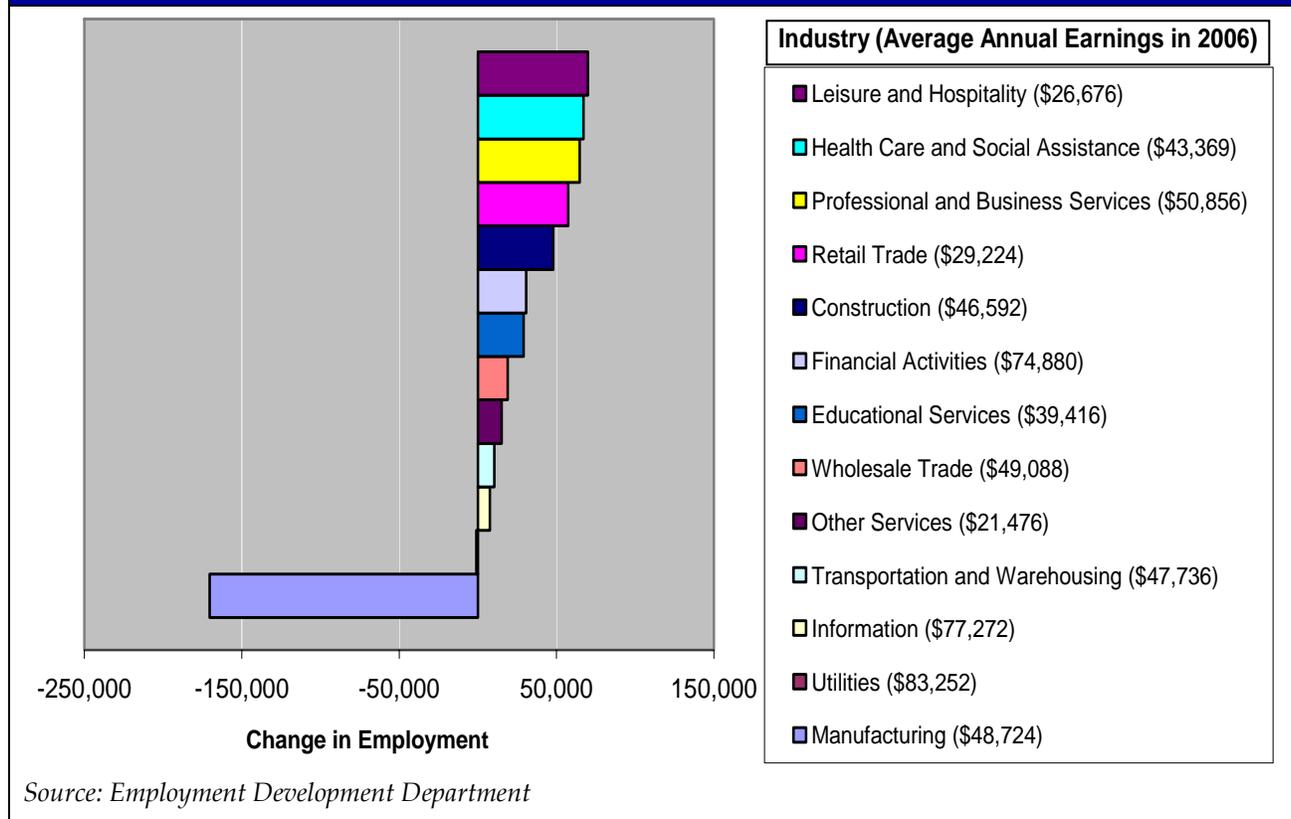
Source: Employment Development Department

The Growth in the Service Sector Industry

Low wages and high poverty are partly the consequence of a changing economy. From 1996 to 2006, Los Angeles County lost more than 170,000 manufacturing jobs, a decline that started in the early 1980s. Many of those jobs provided decent wages and were accessible to workers without college degrees. These jobs have largely been replaced with high- and low-paid service sector employment.

Two of the industries with the most job growth in the past ten years pay an average wage of less than \$30,000 per year. The industry sector with the most growth during this period has been leisure and hospitality, which added almost 70,000 jobs that pay on average \$26,676 per year. The retail sector also saw significant growth, adding more than 57,000 jobs that pay an average annual wage of \$29,224. Health care and social assistance (which includes relatively high-paying health care jobs as well as lower-paid nursing home and child care employment) added 67,000 jobs. Professional and business services include high-paying industries like accounting, architecture and computer services, and report relatively high average annual earnings of \$50,856. This sector, which has seen the growth of 65,000 jobs, also includes business support service occupations that can be low paid, like janitorial and security. The construction sector has also seen considerable growth during this period, adding 48,000 jobs that pay an average annual wage of \$46,592.⁸

FIGURE 8: Change in Annual Employment in Los Angeles County, 1996-2006



Five of the ten occupations with the most projected new jobs provide low wages, including food service workers, sales associates, and transportation workers. Future job growth projections suggest that low-wage occupations will continue to play an important role in the economy.

TABLE 2: Occupations in Los Angeles County with the Most Projected New Jobs, 2004 to 2014

	New Jobs	Median Hourly Wage
<i>Food Preparation and Serving Related Occupations</i>	6,115	\$8.33
<i>Education, Training, and Library Occupations</i>	5,829	\$21.79
<i>Sales and Related Occupations</i>	4,952	\$12.27
<i>Healthcare Practitioners and Technical Occupations</i>	3,942	\$30.25
<i>Retail Sales Workers</i>	3,454	\$9.51*
<i>Transportation and Material Moving Occupations</i>	3,333	\$11.01
<i>Management Occupations</i>	2,958	\$43.06
<i>Food and Beverage Serving Workers</i>	2,882	\$8.14*
<i>Business and Financial Operations Occupations</i>	2,852	\$27.02
<i>Primary, Secondary, and Special Education School Teachers</i>	2,686	N/A**

Source: Employment Development Department *These wages were estimated using first quarter data for 2006.
 ** Workers in this category earn an average wage of between \$28,086 and \$57,656. Hourly wage data were not available.

Low Rates of Health Coverage for Poor and Working People

The percentage of poor people (those living below 200 percent of the federal poverty line) saw their rates of job-based health insurance decline from 22.8 percent in 2001 to 17.4 percent in 2005. There were 2.1 million children or adults uninsured for all or part of the year in Los Angeles County in 2005. ⁹

Los Angeles County residents who are poor are also very likely to lack health insurance.

Forty-two percent of adults living below 200 percent of the poverty line lack any health insurance, and only 20 percent have health insurance through their employer.

TABLE 3: Current Health Coverage for Poor Adults in Los Angeles County, Ages 18 to 64				
	Uninsured	Public Health Insurance	Employment-Based	Privately Purchased
<i>Below 200% of the Poverty Line</i>	42%	33%	22%	3%
<i>All Workers</i>	24%	15%	55%	6%

Source: 2005 California Health Interview Survey

Jobs in growing sectors of the economy often do not provide workers with health insurance.

Almost one-third of construction workers and leisure and hospitality workers lack any kind of health insurance -- public or private. "Other Service," a sector that includes personal and laundry services as well as repair and maintenance services, has the lowest rates of employer-provided health insurance. Almost one in four workers in this sector rely on public health insurance.

Table 4: Type of Health Insurance Coverage by Industry in Los Angeles County				
	Uninsured	Public Health Insurance	Employment Based	Privately Purchased
<i>Construction</i>	35%	14%	46%	6%
<i>Leisure And Hospitality</i>	31%	12%	48%	8%
<i>Other Services</i>	30%	23%	39%	7%
<i>Manufacturing</i>	24%	13%	61%	3%
<i>Professional And Business Services</i>	21%	11%	60%	8%
<i>Transportation And Utilities</i>	18%	11%	70%	1%*
<i>Information</i>	14%	4%*	75%	7%
<i>Educational And Health Services</i>	12%	9%	75%	4%
<i>Financial Activities</i>	11%	14%	68%	8%
<i>Wholesale And Retail Trade</i>	20%	16%	58%	6%
<i>Public Administration</i>	3%*	8%	87%	2%*
<i>All</i>	20%	12%	62%	6%

Source: 2003 California Health Interview Survey
*Statistically unstable

CONCLUSIONS

The large number of poor and low-income people in Los Angeles represents a pressing challenge for the region. Poverty and low wages impact every facet of our civic life, from our schools and neighborhoods to our health care system and business climate. While increases in the state minimum wage, the implementation of living wage policies and successful union organizing drives have improved conditions for some workers, much more needs to be done to achieve shared prosperity.

A multi-pronged approach is required to address failures in the regional economy, and all stakeholders must play a role. Business leaders must invest in their workforce and support policies that expand opportunity. Labor unions should rededicate themselves to raising standards through organizing workers, a proven strategy for raising the wages of low wage workers.¹⁰ Policymakers should continue to make investment in education a top priority, as a better-educated workforce will be able to access good jobs that are created by our economy. Policymakers must also pursue strategies to raise wages in growing low-wage industries and occupations. Addressing the low rates of health insurance and the lack of health insurance for the poor remains a central challenge.

ENDNOTES

¹ California Budget Project. (2007). *A Generation of Widening Inequality: The State of Working California, 1979 to 2005*.

² Fairris, David et al. (2005). *Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses*.

³ While the nation's unionization rate declined between 1996 and 2005, the rate has increased in the Los Angeles metropolitan area. See Ruth Milkman and Bongoh Kye. (2006). *Union membership in 2005: Data on Los Angeles, California and the United States*, UCLA Institute for Industrial Relations.

⁴ California Budget Project and the UCLA Center for Health Policy Research. (2007). *What Does It Take for a Family to Afford to Pay for Health Care?* This estimate for 2007 assumes that the individual does not have out-of-pocket expenses for health care.

⁵ See Jared Bernstein. (2001). *Let the War on the Poverty Line Commence*, Foundation for Child Development Working Paper and Constance Citro and Robert Michael. (1995). *Measuring Poverty: A New Approach*, National Academy Press.

⁶ Economic Policy Institute basic family budget calculator for 2004. http://www.epi.org/content.cfm/datazone_fambud_budget, accessed on August 27, 2007. The figure was inflated to 2006 dollars using the U.S. Bureau of Labor Statistics, Consumer Price Index – All City Average.

⁷ Brent Haydamack and Daniel Flaming with Pascale Joassart. (2005). *Hopeful Workers, Marginal Jobs*, Economic Roundtable.

⁸ The poverty, earnings and income data are based on a survey of individuals while the California Employment Development Department data are derived from payroll records.

⁹ UCLA Center for Health Policy Research: *Health Insurance Survey. (2001,2005). Health Insurance Coverage Fact Sheets for the California Counties and Regions (2007)*; E. Richard Brown and Shana Alex Laverreda. (2005). *Job-Based Health Coverage Drops for Adults and Children but Public Programs Boost Children's Coverage*.

¹⁰ See Lawrence Michel et al. (2007). *The State of Working America 2006/2007*. Economic Policy Institute, pp. 181-190, for an in-depth analysis of the union wage premium.



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