

The Other Los Angeles

EXECUTIVE SUMMARY

Los Angeles for many people evokes scenes of Hollywood glamour and a luxurious life by the beach. But millions of residents know the other L.A., where work does not even guarantee decent pay and good health care, let alone SUVs and swimming pools.

Indeed, one in four workers in Los Angeles County is poor, defined in this report as qualifying for government assistance. Over one million Angelenos were among the working poor in the late 1990s (an average of 1997 and 1999 survey data): janitors, maids, teachers, health practitioners, sewing machine operators, actors, parks and recreation workers, parking lot attendants. While overall employment in Los Angeles increased by only 2 percent during the 1990s, the number of working poor, as defined in this report, increased by 34 percent. (In this report, “Los Angeles” refers to the County unless otherwise indicated.)

In spite of these trends—or perhaps because of them—Los Angeles has generated some of the most innovative responses to the problem of low-wage work and working poverty. Community-based organizations are exposing illegal working conditions at restaurants in Koreatown; a revived labor movement organized 90,000 new members in 1999 alone; a local coalition of community groups, clergy and labor unions worked to pass a living wage law for the City of Los Angeles and Los Angeles County. If Los Angeles epitomizes the problem of working poverty more than any other metropolitan area in the United States, it also points us towards solutions for the 21st century.

Defining Poverty for This Report: A More Realistic Assessment of Need

The official Federal Poverty Level has been widely criticized for substantially understating the needs of families, thus resulting in underestimates of the extent of poverty. By this federal measure, a family of four would be considered poor only if they had an income of less than \$16,700 in 1998.

In this report, we have set a more realistic, “needs-based” poverty threshold, based on two criteria: the income levels at which families are still eligible for government anti-poverty programs, and the actual cost of living in Los Angeles. We have determined this threshold to be 200 percent of the Federal Poverty Level.

Accordingly, the working poor are defined here as individuals with a total family income below 200 percent of the Federal Poverty Level. (For a family of four, this was \$33,300 in 1998.) A working poor family must have at least one member who reported income from work in the last year.

Poverty And Economic Inequality Are On The Rise In Los Angeles

In spite of the economic recovery, poverty in Los Angeles is worse than it was in 1990. Since the mid-1990s, Los Angeles has added 384,000 jobs and cut the unemployment rate from a high of 9.8 percent in 1993 to a low of under 6 percent in 2000. Nevertheless, over the 1990s, poor families rose from 36 percent to 43 percent of the population in Los Angeles, and now account for some 4.1 million residents, according to our needs-based poverty threshold. In the next recession, half of the residents of Los Angeles could be considered poor by our poverty threshold, which means they would be eligible for government anti-poverty programs.

The official Federal Poverty rate, a more dire assessment of need, also rose over the 1990s in Los Angeles, from 16 percent in 1990 to 24 percent in 1995, falling to just under 20 percent by the late 1990s. Poverty as defined by both measures is significantly higher—and increased more during the 1990s—in Los Angeles than in California as a whole. Meanwhile, the Federal Poverty rate in the United States declined slightly over the past decade.

The stereotypical view that people are poor because they do not work is discredited by the evidence in this study. In the late 1990s, 64 percent of all Los Angeles' poor adults and children, as defined by this study's poverty threshold, lived in a household in which at least one member worked *full-time*. This proportion is greater than it was in 1990 (60 percent), and is greater than the current percentage for California as a whole (58 percent). Almost half of adults below our poverty threshold worked. A greater share of poor adults in Los Angeles work today than did in 1990, and a greater percentage of poor adults work in Los Angeles than do in California as a whole.

Inequality is worsening as most of the increased income and wealth from the new economy is accruing to a small group at the top. During the 1990s, inequality between the top 20 percent and the middle 20 percent of earners in Los Angeles grew significantly. In the late 1990s, the richest 20 percent of Angelenos earned almost four times what the middle 20 percent earned, an increase of 17 percent from 1990. Our analysis looks solely at income from work and does not measure wealth inequality, which is also growing at a rapid pace nationwide. Nationally, the net worth of the top 1 percent swelled by 17 percent (when adjusted for inflation), while the bottom 40 percent lost an astounding 80 percent of their net worth. In 1997, the top one percent of US households owned 40 percent of the nation's wealth. This polarization of rich and poor is starkly evident in Los Angeles.

Who Are the Working Poor in Los Angeles?

The working poor in Los Angeles are increasingly middle-aged. During the 1990s, the number of working poor in Los Angeles ages 36 to 50 rose over three times as fast as the total number of workers in this age group. This trend is particularly dramatic considering these are the years when many workers reach their full earnings potential.

The vast majority of the working poor work full time. Seventy-seven percent of the working poor in Los Angeles work full time, only slightly less than the 83 percent of all employed persons who work full time.

People living in two-adult households with children are the most likely to be members of working poor families in Los Angeles. About 45 percent of people in such households were members of working poor families, compared to 33 percent in California. Members of this group in Los Angeles totaled 2.4 million in the late 1990s, 80 percent of the three million people in working poor households.

Though the working poor in Los Angeles come from many backgrounds, Latinos are over-represented. While Latinos make up 40 percent of the Los Angeles workforce, they account for 73 percent of the working poor. In every industry and occupation, Latinos constitute a far greater proportion of poor workers than their proportion of the general workforce. The number of working poor Latinos rose twice as fast as the number of Latinos in the labor force in Los Angeles in the 1990s.

Foreign-born non-citizens are more likely to be among the working poor. Sixty-three percent of the 1.1 million working poor in Los Angeles are foreign-born non-citizens, although they represent only 31 percent of the workforce.

Working poverty in Los Angeles is striking those with less education harder. Nearly seven out of ten people in Los Angeles with no high school education were working poor in the late 1990s. The chances of being working poor increased substantially during the 1990s for all groups with a high school degree or less.

THE CHANGING ECONOMY IS GENERATING MORE WORKING POOR IN LOS ANGELES

The rise in working poverty is linked to changes in the Los Angeles economy over the past two decades, including the increase in service sector jobs and the decline in durable manufacturing jobs. Employment in the service sector (e.g., motion pictures, business services, health care, hotels) has increased by almost 50 percent over the past 15 years, creating both well-paying and poor-paying jobs. While manufacturing employment as a whole has declined—and has suffered particularly from large losses in such high-paying industries as aerospace—Los Angeles remains the largest manufacturing center in the country. Lower-paying, non-durable manufacturing industries, such as garment and food processing, have experienced moderate growth since the 1980s. Finally, the relentless expansion of the retail and restaurant industries led to the largest increase in working poor jobs of any sector.

Workers employed in manufacturing and service jobs are more likely to be poor in Los Angeles than in the U.S. One-third of Angelenos who work in manufacturing are poor, as opposed to 16 percent nationally. Similarly, 51 percent of workers employed in the personal service sector in Los Angeles are among the working poor, as opposed to 31 percent in the country as a whole.

The following industries account for 80 percent of the working poor in Los Angeles:

- Manufacturing: 245,000 working poor, with over 90,000 in the apparel industry alone.
- Retail: over 218,000 working poor, with restaurants and bars employing about half of this group.
- Professional Services: 136,000 working poor, with 53,000 in education and 46,000 in hospitals and medical establishments

- Personal Services: 98,000 working poor, including hotel workers and domestics.
- Business Services: 93,000 working poor, including janitors, security guards, and temp agency workers.
- Construction: 80,000 working poor.

Low pay, rather than part-time work, contributes more to low earnings among the working poor. In each of the five industries that together account for 63 percent of all the working poor in Los Angeles, part-time workers account for no more than 25 percent of the workforce. Part-time employment of the working poor is significant in personal services and professional services, however.

Seven of the ten fastest growing occupations in Los Angeles pay an average of less than \$8.50 an hour. The rapid creation of low-paying jobs suggests that improving education alone will not solve the problem of working poverty.

Low Rates of Unionization Contribute to Working Poverty

Unionization rates are lower among the working poor than they are among higher-income working people. In the late 1990s, 4 percent of Los Angeles' working poor were covered by a collective bargaining agreement compared to 22 percent of other workers. In addition, the average income of unionized workers in Los Angeles was 20 percent greater than that of non-union workers.

Rates of working poverty are lowest in industries that have high rates of unionization, such as transportation and public administration. Similarly, rates of working poverty tend to be highest in sectors that have low rates of unionization, such as retail and personal services. However, rates of working poverty are considerable in construction despite high rates of unionization, indicating large disparities between union and non-union pay scales in that industry.

Working Poverty and the Crisis in Health Care

Poor workers in Los Angeles are more likely to lack health benefits than are the working poor in the rest of California and the U.S. Fifty-nine percent of Los Angeles' working poor do not have health care coverage. Half of poor workers who lack health insurance have children, suggesting dire consequences for many families. Low rates of health insurance span all industries.

Los Angeles trails the state and the nation in the rate of employer-provided health insurance. Most health insurance is provided through employers. But employer-provided health insurance covers only about half of Los Angeles' working age population, compared to 60 percent in California as a whole and 68 percent in the United States.

Unionized workers have high rates of health care coverage. Eighty-eight percent of Los Angeles workers who are covered by a collective bargaining agreement have health insurance. Los Angeles' non-union workers, who comprise more than 80 percent of the workforce, are less likely to have health care coverage than their non-union counterparts in the state or nation.

Los Angeles' uninsured are more likely to be employed by small firms, yet a surprising number of large firms also employ uninsured workers. In the largest firms (over 500 workers) in Los Angeles, some 42 percent of working poor employees do not have health insurance.

Latinos are over-represented among those in Los Angeles lacking health insurance. Latinos comprise 61 percent of the working age population lacking health insurance in Los Angeles, even though they account for only 42 percent of this age group. Latinos constitute 78 percent of the uninsured working poor, even greater than their 73 percent share of the working poor. Lack of health insurance for Latino workers and their families is a problem across the country.

A Reinvigorated Labor Movement Joins with Community Groups to Tackle Working Poverty in Los Angeles

Workers and community groups in Los Angeles are on the cutting edge of trying to improve the lives of the working poor. A reinvigorated labor movement won national attention in April 2000 when thousands of mostly immigrant janitors took to the streets to fight for a contract that would bring them out of poverty. The largest single union organizing victory since the 1930s took place in 1999 in Los Angeles, with 74,000 low-wage home health care workers winning representation. A coalition of clergy, labor and community groups fought to raise wages for the 10,000 service workers—such as airport security guards, janitors and food service workers—who work for city contractors or on city-owned land. Immigrant rights groups are seeking to improve the plight of restaurant workers, day laborers and others on the margins. A region-wide coalition of community organizations and unions has organized to bring quality jobs to welfare recipients, as well as job training and placement in high-paying multimedia professions to inner-city residents. Such initiatives need to be supported by local, state and national policies that put the needs of struggling families at the forefront.

A New Policy Agenda to Make Work Pay

This country needs a strategy to make sure that the economy works for everyone. That means raising the minimum wage, supporting living wage ordinances where appropriate, and ensuring the right to organize in the workplace. Government programs to assist the poor, like food stamps and low-income housing subsidies, are needed and should be expanded. But they are not always the best answer. It is unlikely that voters will permit governments to contribute the funding necessary to lift the poor out of poverty. In addition, many families who are eligible for anti-poverty programs never take advantage of them. A better solution is to ensure that workers earn enough to support themselves and their families. The following steps would help further this goal:

- ***Raise the Minimum Wage.*** Although California is one of six states to set the minimum wage at slightly higher than the national level (\$5.75 per hour as opposed to \$5.15), it is still too low to keep families out of poverty. Contrary to popular perception, minimum wage earners in Los Angeles tend to be adults (86 percent) and to work full time (70 percent). A higher minimum wage that is indexed to inflation would mean that workers would stand a greater chance of sharing in productivity gains.

- ***Approve Living Wage Ordinances.*** Living wage ordinances require businesses that contract with government, do business on government-owned land, or receive large amounts of public financial assistance to pay workers a more realistic minimum wage. This ensures public money is not being used to subsidize low-paying jobs. Living wage laws can also be good for businesses that want to compete for government services based on quality rather than on low wages.
- ***Support Subsidy Accountability.*** Governments routinely spend millions of dollars supporting business development in the name of job creation and neighborhood revitalization, but little attention has been paid to the quality of jobs in those developments. In recent years, however, state and local governments have begun attaching job quality standards to subsidy deals. Such laws encourage real economic development by recognizing that healthy communities cannot be created with low-wage, part-time jobs.
- ***Make Sure the Tax Code Supports the Poorest Families.*** An effective tool available to boost the incomes of the working poor is the federal Earned Income Tax Credit (EITC). The EITC provides a refundable tax credit regardless of whether a family owes income tax. Like 11 other states, California could adopt a tax credit to support the federal one. Since many workers will never take advantage of it, however, the EITC cannot be a substitute for raising wages.
- ***Reform Federal Labor Law.*** While the National Labor Relations Act nominally protects workers' rights, employers routinely use both legal and illegal means to prevent unionization. Labor laws should be reformed to require employers to remain truly neutral during a union organizing drive. In addition, penalties for unfair labor practices should be swift and severe.
- ***Enforce Existing Wage and Hour Laws.*** A lack of enforcement is particularly a problem in such highly competitive industries as agriculture, janitorial services, and low-wage manufacturing, where there is extensive subcontracting of labor services. Allowing employers to pay workers less than the law requires impoverishes workers and undermines better employers trying to abide by the law.
- ***Don't Use the Workplace to Enforce Immigration Laws.*** The current immigration laws are set up to sanction employers who hire undocumented immigrants, but it is the employees, both legal and undocumented, who end up paying the price. This policy should be replaced with one that allows all workers to pursue legal remedies regardless of immigration status. Special whistleblower protection should also be provided to all workers who report violations of labor laws.
- ***Invest in Training and Education.*** Our increasing reliance on technology has made investment in training and education a crucial component in moving people out of the ranks of the poor. Existing training programs take a "work first" approach, placing people in low-paying, dead-end jobs that make them part of the working poor. Job training should be used to help people secure good jobs with career ladders, and should be targeted to those communities that need it the most. Creating training opportunities must

go hand and hand with raising the wage floor, as seven of the ten fastest-growing occupations in Los Angeles pay less than \$8.50 an hour.

- ***Expand Access to Housing.*** The housing situation in California is worse than in most of the country, and the cost of housing in Los Angeles has been rapidly escalating as the economy has improved. The federal government needs to fund more housing vouchers to allow low-income households to compete in the private rental market, and local governments need to ensure that developers pay for the true social costs of their projects by linking all new development to the creation of affordable housing.

- ***Expand Access to Health Insurance.*** Los Angeles has one of the lowest rates of employer-provided health insurance in the nation. The best response to this breach of the social contract would be for Congress to enact legislation guaranteeing health insurance to all Americans. Short of universal health care, ensuring the right to organize will go a long way toward expanding coverage since unions have been at the forefront of winning health care benefits for their members. In addition, the government can encourage employers to provide coverage by supporting purchasing pools that make insurance less expensive for small employers and living wage policies that require firms that benefit from government subsidies or contracts to provide health care coverage. Finally, the existing public health insurance programs must be expanded to cover more working poor adults.