

CITY AT A CROSSROADS

Poverty, Jobs and the Future of Los Angeles



LAX Hilton hotel housekeeper Enemy Morales with her kids outside their South L.A. apartment

A rapidly shrinking middle class. Millions living in or near poverty. A growing population without adequate health care, housing and nutrition.

Los Angeles is at a crossroads. One of the world's great metropolises, Los Angeles exerts global influence and has the potential to become a model for 21st Century urban innovation.

There's much that can be done by local government to tackle urban poverty.

This brief explores the economic upheaval that threatens the stability of the region, its impact on all residents, and the important role local government can play in restoring good jobs and economic opportunity to Los Angeles. Rising deprivation and inequality are not merely moral dilemmas—they jeopardize the aspirations of all Angelenos to live in security and prosperity.

Every sector—government, business, labor, community—must respond. In particular, city leaders across metropolitan Los Angeles have a crucial role to play in shaping the region's economy and in tackling urban poverty. By undertaking this challenge, Los Angeles will not only help secure its own future, it will serve as a model for metropolitan areas across the country.

The Vanishing Middle Class

Between 1990 and 2004, Los Angeles County lost 327,400 manufacturing jobs, what had once been a mainstay of middle-class employment. During that period of rapid globalization, the county's manufacturing sector shrank from nearly 20% to 12% of its labor force as good jobs—many unionized—moved out of state and overseas to Third World countries.

- ▶ The vast majority of industry growth replacing manufacturing employment was in the service sector, with an increase of about 180,000 jobs.¹
- ▶ Median household income in the county dropped 11% during the 1990s, a period of otherwise strong economic growth throughout the nation.²

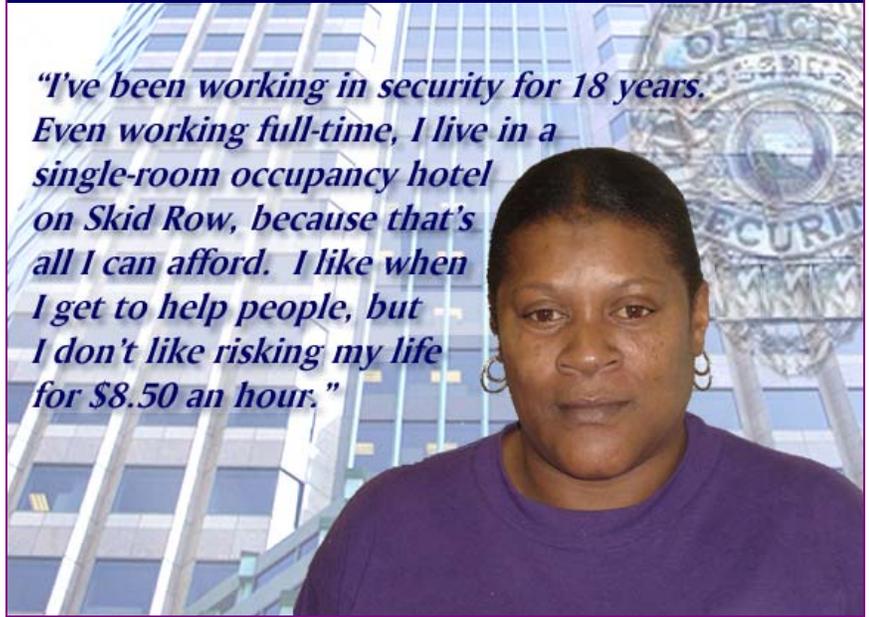
Economic Forecast: A Majority in Poverty?

The changing economy and the shredding of the social safety net has translated into widespread economic insecurity.

- **Almost 3.9 million people—39% of residents—in Los Angeles County are poor enough to qualify for government anti-poverty assistance. The vast majority live in working households.**³
- The number of people in poverty in the county has been on the rise even as welfare case loads shrink due to federal welfare reform legislation. The county's caseload in 2005 was only 53% as large as it was in 1996, forcing more workers into a low-wage labor market.⁴
- Six of the top ten occupations with the most projected job openings in the county over the next half-dozen years will pay less than \$10 per hour, keeping even full-time workers dependent on government programs for their families' basic needs.

Juanita Burroughs is one of more than 50,000 security officers in Los Angeles County. She is employed in one of the fastest-growing occupations in the area.

"I've been working in security for 18 years. Even working full-time, I live in a single-room occupancy hotel on Skid Row, because that's all I can afford. I like when I get to help people, but I don't like risking my life for \$8.50 an hour."



Top Ten Occupations With the Most Projected Job Openings in Los Angeles County (2002-2012)

Occupational Title	Job Openings	Median Hourly Wage
Retail Salespersons	59,660	\$9.77
Cashiers	56,020	\$8.41
Waiters and Waitresses	46,360	\$7.78
Office Clerks, General	37,740	\$11.79
Laborers and Freight, Stock, and Material Movers, Hand	31,950	\$8.88
Combined Food Preparation and Serving Workers, Including Fast Food	28,070	\$8.03
Registered Nurses	25,690	\$31.64
Teacher Assistants	23,340	NA
Security Guards	22,510	\$9.53
Stock Clerks and Order Fillers	19,330	\$10.07

Source: California Employment and Development Department

¹ 2005 City of Los Angeles Economic and Demographic Information. ² Institute for the Study of Homelessness and Poverty, *Puzzle of the Los Angeles Economy*, 2003. ³ These individuals are living below 200 percent of the federal poverty line, which was \$37,700 per year for a family of four in 2004. California Budget Project analysis of U.S. Census data.

The High Cost Of A Low-Wage Economy

The trends of diminished opportunity and increasing working poverty destabilize communities and the local economy, and place a growing number of families in jeopardy. If unaddressed, the shift to low-wage, insecure jobs will erode the tax base while creating a massive drain on public resources. Elected representatives will find themselves in a fiscal straitjacket, unable to meet the needs of the community, much less create a world-renowned city of vision, promise and opportunity.

The Housing Crisis

- Rents in L.A. County have increased by almost 22% over the past four years.⁵
- In order to afford a two-bedroom apartment at the “fair market rent” of \$1,189 a month, a family would need \$47,560 in annual income—nearly twice the median earnings of county residents.⁶
- Only 12% of county households can afford to buy a home at the median home price of \$552,760, down from 38% ten years ago.⁷

Health Care in Peril

- An estimated 2.1 million—or nearly one in four—non-elderly adults and children in L.A. County lack health care coverage, representing one-third of the state’s total uninsured residents.⁸
- In the county, little more than 50% of non-elderly adults are estimated to receive health insurance through an employer, down from 58% in 2001. Meanwhile, the percentage of uninsured adults rose from about 24% to 30% during the early 2000s.⁹

The Empty Cupboard

- About one in nine households in L.A. County experience difficulty securing enough food.¹⁰
- Thirty percent of low-income adults with jobs in the county struggle to put food on the table.¹¹

The Strain on Local Government

A large population in poverty places a burden on local governments charged with providing essential services. In 1995, a \$655-million shortfall in L.A. County’s health department nearly drove the County into bankruptcy. A federal bailout helped the County maintain solvency. But the structural problems persist, with the County anticipating an \$866-million deficit in health services over the next three years.

Out in the Cold

- More than 88,000 people are homeless each night in L.A. County, nearly 90% of whom are unsheltered.
- Approximately 20,000 of the county’s homeless are in families.
- At least 13,300 children are estimated to be homeless each night.
- Twenty-four percent of survey respondents say that job loss led to their current episode of homelessness.

Los Angeles Homeless Services Authority, 2005
Greater Los Angeles Homeless Count, 2006.

Education Under Siege

Lennox is a 1.3-square-mile community underneath the LAX flight path. About one-third of its residents live below the federal poverty line, a measure of extreme poverty. Many parents must hold down two or three jobs in order to make ends meet, and even then cannot provide their children with basic necessities like health care, according to Thomas Johnstone, Assistant Superintendent of the Lennox School District.

“Our families have the same aspirations for their children as more affluent communities.”

“Something as simple as a sinus infection or an earache may cost one of our students a week or more of school.” Johnstone says the district has been forced to develop services that go far beyond addressing the academic needs of students, including a school-based health clinic and after-school programs. “Our families have the same aspirations for their children as more affluent communities,” says Johnstone.

⁴Economic Roundtable, “Poverty, Inequality and Justice: A Vanishing Middle Class in Southern California,” March 22, 2006 presentation sponsored by the Pat Brown Institute of Public Affairs. ⁵RealFacts, September 2005 Report, as cited by Southern California Association of Non-Profit Housing. ⁶The federal government’s official rental affordability standard is set at 30% of gross income. Fair market rent is calculated by the U.S. Department of Housing and Urban Development. Median earnings are from the U.S. Census Bureau, 2004 American Community Survey, *Selected Economic Characteristics for Los Angeles County*. ⁷The California Association of Realtors Housing Affordability Index, December 1995 and December 2005. ⁸UCLA Center for Health Policy Research, *The State of Health Insurance in California*, 2005. ⁹Ibid; and UCLA Center for Health Policy Research, 2001 *California Health Interview Survey*. ¹⁰L.A. County Department of Health Services/Public Health, *Food Insecurity*, 2004. ¹¹UCLA Center for Health Policy Research, *Policy Brief: Hunger in Los Angeles County*, 2004.

How Cities Can Fight Poverty and Create Economic Opportunity

► Articulating the Vision

Local leaders must start with a vision of an urban America that offers decent, middle-class jobs and where a functioning, effective government provides for the common good. This vision should guide leaders as they embark on economic development initiatives and major public infrastructure projects.

► Exercising Leadership

Local government has considerable powers to combat poverty and encourage the growth of high-road employment. Cities serve as employers, investors and landlords, and are the government agency with primary land-use power. All these arenas present opportunities to create a local economy that serves the interests of everyone.

Rising To The Challenge

City as Model Employer

Cities employ tens of thousands of workers and can set a high standard by providing jobs with good wages and benefits.

City as Responsible Contractor

Cities can use policies such as living wage and worker retention laws to set high standards for contractors, who employ thousands of additional workers.

City as High-Road Investor and Economic Partner

Cities can use their power and influence to facilitate business growth while linking it to community benefits such as good jobs, affordable housing and job access.

City as Guardian of Public Interest

Cities can have a broad economic impact through laws that expand access to health care or encourage high-road employment.

City as Supplier of Essential Services

Cities can help alleviate the worst impacts of poverty by providing health, housing, nutritional and other services to those in need, and can link individuals to other public and private agencies that offer assistance.

City as Provider of Education and Training

Cities can enhance the economic prospects of the emerging workforce through high-quality education, and can partner with communities, unions and private industry to offer effective job-training programs.

A New Model of Urban Partnership



The downtown Los Angeles Sports and Entertainment District was the kind of massive development project sure to cause controversy. Included in the proposal was a 45-story hotel, a 7,000-seat theater, 800 units of housing, and a major city subsidy. But five years ago, community members and the developer got together and brokered a deal that changed the way development gets done in this sprawling city of four million. The resulting Community Benefits Agreement calls for 3,800 living wage jobs, more than 200 units of affordable housing, and \$1-million for parks.

Policy Campaign Targets Low-Wage Service Sector Jobs

The first glimpse that many LAX travelers have upon arriving in Los Angeles is Century Boulevard, home to 13 airport hotels that pay some of the lowest industry wages in the county. Low pay at Century Boulevard's hotels has contributed to severe poverty in the surrounding cities where many of the hotels' 3,500 workers live. Now these workers have joined forces with community members to ask city leaders to develop a broad-based policy that would address working conditions as well as the hotels' need for better amenities and planning along the boulevard. Using legislation and partnering with all the stakeholders, local government has an opportunity to alleviate poverty, create a better business climate and increase revenues to the city.



More to come....

This brief is a precursor to a longer report that will present innovative strategies for addressing urban poverty.