Southern California: record poverty and industrial decay

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Several recently released reports paint a new, disturbing picture of reality in Southern California, a reality that has been quietly transformed over the past decade. Not the usual image of sunshine, wealth and opportunity—but sharpening social polarization, record levels of poverty and manufacturing decay. For decades, poverty was lower in the entire state of California than in the rest of the country. Now that relationship has been reversed.

"We're beginning to resemble much more a Third World society where a class of people are stuck at the bottom," said Ruth Milkman, director of UCLA's Institute for Labor and Employment. She has been leading an ongoing study of the north-south divide between the industrial development of Northern and Southern California.

In May 1992 social tensions beneath the surface exploded in riots following the Rodney King verdict. The media marked the tenth anniversary with optimistic reports of economic revival in many parts of the city. Things have gotten better, they claimed.

However, recent reports issued by the Los Angeles County Economic Development Corporation (LAEDC), the Public Policy Institute of California, the Census 2000 data and UCLA's Institute for Labor and Employment expose these optimistic assertions.

On July 1 the Los Angeles County Economic Development Corporation (LAEDC) issued a study warning that the region's manufacturing is at a crossroads unless policymakers take major steps to save the nearly one million factory jobs in the five-county LA region. Average annual employment in manufacturing fell by 28,600 jobs in 2001, with 19,400 more losses projected this year.

The LAEDC is a private non-profit organization that was formed in 1981 to promote the growth of businesses and jobs in the Los Angeles County region. After the 1992 riots, it helped to set up minority small businesses, more than half with fewer than 10 employees, in the city's devastated areas.

The 1990s saw a dramatic transformation in the workforce in Los Angeles County. It lost 169,000 factory jobs, or 22 percent of its manufacturing workforce. Nearly half were in the defense industry where workers averaged $19.36 an hour. Today, the average factory job pays $15.68 an hour, with large numbers of workers paid far less in service industries.

A wave of plant closings, which began in the 1980s, destroyed hundreds of thousands of unionized jobs in aerospace, defense and related industries, forcing many skilled workers and professionals to move out of the region, mainly to the Pacific Northwest. Thousands of workers at plants and mills—for example, Southgate and Van Nuys GM, Firestone Tire, McDonnell-Douglas—lost their jobs.

Today the Boeing 717 is the only plane assembled in Southern California. In February Boeing cut about 1,000 people from its satellite manufacturing arm in the region. Four months earlier, the company had eliminated 400 other jobs at the satellite division.

The majority of the region's manufacturers are now small and medium-size companies. Apparel and textile making has replaced aerospace and defense as the leading manufacturing industry, with about 107,000 jobs. Workers in this sector average $10 an hour. Transportation equipment, instruments and fabricated metals industries are the next largest.

Jack Kyser, the LAEDC's chief economist, commented, "We've taken our eyes off the manufacturing ball. It's a big reason why the recent census figures show that the middle class is disappearing and poverty is up."

According to Deborah Reed, an economist and program director for population research at the Public Policy Institute of California (PPIC) in San Francisco, the state's poverty level surpassed the US average in 1989 and remained higher than the nation's level through the recession and subsequent stock market boom of the last decade.

In 1969, California's poverty rate was more than three points below the rest of the nation (9.1 percent compared to 12.5 percent). By 2000, the state's figure was nearly two points higher (12.9 percent compared to 11 percent). In another comparison, in 1980 the state ranked thirtieth in the nation in poverty levels; by 2000 it was twelfth.

California's children have especially high poverty rates. In the late 1960s, it was 11 percent; in 2000, it was almost 19 percent, or almost one of every five children, compared to 16 percent, or one in six, in the rest of the country.

Actually, the standard poverty measure does not take into account the wide disparities in cost of living across states and regions. If the California poverty threshold were set at one-half the state's median family income, it would be $26,347 for a family of four. By this measure, the state's poverty rate in 2000 was 24 percent, compared to 21 percent in the rest of the country. That means California would be second in the nation in poverty, after Washington DC.

In 1970, 1.9 million people were poor in California; in 2000, that number more than doubled to 4.4 million, roughly equal to the combined populations of the cities of Los Angeles and San Francisco.

The result of this decades-long process found further statistical verification in the Census 2000 data released in May. A *Los Angeles Times* article presented the details of this report, which was based on the first data released from the "long form" questionnaire given to one in six households throughout the country. The results confirm what many economists studying California have been observing in the 1990s: the growing divide between the haves and have-nots.

Bruce E. Cain, director of the Institute of Governmental Studies at UC Berkeley, termed the wealth gap and signs of a shrinking middle class "potentially ominous." He said local leaders need to find ways to help the poor get out of poverty. If nothing is done to reverse the situation, the income divide fuels resentments, as it did in the 1965 Watts Riots, he warned.

Los Angeles is on a different trajectory than the rest of California and its other major cities, according to demographers. LA County's poverty rate was 15.1 percent in 1990, while San Francisco reported a 12.7 percent rate, according to Hans Johnson, a demographer with the Public Policy Institute of California in San Francisco.

While San Francisco's poverty rate fell to 11.3 percent, caused mainly by high housing costs which drove low-income workers out, LA County's rate went up to 17.9 percent—placing it eighteenth highest in poverty among the state's 58 counties.

"There's no other large, primarily urban area that's higher in poverty than Los Angeles County," according to Johnson.

Other facts:

* The numbers of both rich and poor in LA, the county and the state rose in the past decade. The trend was sharper in the city, where 22.1 percent of residents live at the poverty level, up from 18.9 percent a decade earlier. This compares with 15.7 percent of city residents who earn more than $100,000 a year, up from 9.7 percent in 1990.

* Los Angeles County had the worst drop in median household income in California during the past 10 years. Household incomes fell during the 1990s in much of Southern California, a dramatic reversal after decades of gains.

* The number of people living in poverty rose 28 percent to 1.6 million. Eighteen percent of the county's 9.5 million residents live below the federal poverty line. The trend was similar throughout the area. Orange County had a 44 percent increase in the number of people in poverty.

* The statewide increase in the percentage of people in poverty, 30 percent, was greater than LA County's. The state's median income rose, partly due to the numbers of wealthy residents. About 216,000 California residents had incomes above $150,000 in 1990. In 2000, the number grew to about 642,000, without adjusting for inflation.

According to the *Times*, "much of what went wrong was a loss of jobs in the recession of the early and mid-'90s that was never fully reversed. For example, the number of manufacturing jobs in Los Angeles County fell in the decade to 587,000 from 861,000, a decrease of 32 percent, census data show."

A study led by Ruth Milkman, director of UCLA's Institute for Labor and Employment, discovered great differences between the industrial development of Northern and Southern California. Concentrated in the San Francisco Bay area are high-tech industries, which hire large numbers of professional and managerial jobs. On the other hand, Southern California's growth has been through low-skill, low-wage jobs.

Milkman said that in the LA area, the number of service jobs, from valets to car wash attendants, maids, cleaning women and nannies, grew sharply. Disturbed by the decline of the middle class, Milkman noted that in Southern California there is a strong polarization of high wage and low wage jobs, as in a "U" shape. She is describing an image of, on one end, large numbers of low-wage jobs; in the middle, a small, shrinking number people at medium-income level; and on the other end, high numbers of extremely high-wage jobs. "That presents real mobility problems for folks at the low end," she said.

Many in these low-wage jobs are immigrants with low education levels, mostly from Mexico and Central America and especially to Los Angeles. These often highly exploited immigrants have contributed to the increased levels of poverty. The majority of people living in LA County now are either immigrants or second-generation Americans.