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Fragmented Economy, Stratified Society, and the Shattered Dream

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The Civil Rights Project



Proyecto Derechos Civiles

Executive Summary

Across the massive megalopolis stretching from the northern suburbs of Los Angeles County through the metropolitan complex along the northern border of Baja California is a diverse area containing 24 million people, with a disproportionate percentage of Latinos and African Americans who are facing an educational and economic disaster. As it becomes increasingly evident that recovery from the most severe economic downturn since The Great Depression will remain subdued, and as the depth of economic plunge in The Great Recession becomes increasingly clear, it is essential to examine the growing disparities in the labor market which have resulted in a widespread increase in economic inequality throughout the region and the state. Though easily drawn into focus in this time of extreme economic slowdown, the changes to the Southern California economy over the last four years are only symptoms of an already existing structural problem exacerbated by the recession, not created by it. Furthermore, it is essential to understand the differential economic opportunity in the region, as it provides a telling story of the challenges we face throughout the nation. If we are to address the state and the nation's growing economic inequality and emerge from this recession better and stronger, it is imperative to gain a better understanding of the highly diversified labor market, and the differential nature of opportunity.

This report shows that for several decades there has been a trend towards differential educational and employment opportunity, and that these social and economic inequalities have been heavily related to racial, ethnic, spatial, and social class distinctions. Individuals from the lowest social rungs, particularly Latinos, African Americans, and those in the lowest educational ranks, not only begin with different opportunities and resources, but often do not have the paths to mobility in the quest for social and economic well-being. This trend of racial and class stratification in terms of employment prospects, earnings, and educational opportunity has been increasing for the last 30 years.

The following report reveals the depth and scope of the problem, with the hope that it will be instrumental in focusing attention on the remedies and leadership needed to make real changes, so that all groups can benefit from the opportunities available within our communities.

Rising Inequality in California

Income Stratification: The gap between the haves and have-nots has significantly widened in the state, as the majority of the state's residents have experienced downward mobility. In California, the widening gap in inflation-adjusted income has been more severe than in the U.S. as a whole. Since 1979, high-wage California workers reported earnings that were substantially higher than their counterparts

across the nation. However, while middle wageworkers have barely kept pace with inflation, California workers on the lowest end of the wage distribution scale have lost purchasing power as their inflation-adjusted wages have dramatically declined since 1979. More specifically, the data reveal that:

- After adjusting for inflation, high-wage Californians' hourly earnings from 1979-2006 increased by 3.7 percentage points higher than that of similar U.S. workers.
- For workers at the middle of the wage distribution, wages have barely kept pace with inflation, and have been 3.6% lower than typical middle-wage workers in the U.S.
- Workers on the lowest end of the wage distribution scale have lost purchasing power as their inflation-adjusted wages have dramatically declined since 1979. California's low-wage workers have seen a decline of 7.2% in wages since 1979, contributing to a substantial decline in purchasing power. In comparison, in the U.S. as a whole, low-wage workers have experienced gains of 4%.
- Statewide personal income plunged 2.5% in 2009, accompanying a nationwide drop of 1.7%.

Job Stratification: Since 1980, both low-wage and high-wage jobs have been created in the state, with substantially fewer jobs created in the middle of the income distribution of wages. Moreover, California's job growth was considerably more concentrated at each end of the earnings distribution during the 1990s and early 2000s than it was in the 1980s. Key findings from this study show that:

- 70.3% of jobs created in the state between 1989 and 1999 had hourly earnings in either the bottom fifth or the top fifth of the earnings distribution scale, showing a higher intensity of economic stratification than figures from the 1979-1989 time period where 45.5% of jobs created were in either the top fifth or the bottom fifth of the distribution in California.
- More than one in three (37.1%) jobs added in the 1990s were in the bottom fifth of the earnings distribution, more than twice the amount added in the 1980s (18.5%).
- One in three jobs created (33.1%) during the 1990s was in the top fifth of the earnings distribution scale, compared to 27% during the 1980s.
- The trend further intensified in the period from 1999-2005, when almost 69% of all jobs created were in either the lowest or highest end of the

earnings distribution scale.

The Great Recession and the Acceleration of Inequality: Technically, The Great Recession is over. Yet, its aftershock is still being felt across the nation, as communities continue to bleed economically. The official unemployment rate in Los Angeles County was 12.2% in October 2011, and would be significantly higher had many people not given up searching for work. This paper investigates the underemployment rates, which provide a more accurate picture of the battered job market. Data reveal that educational levels and race are highly correlated to underemployment rates.

- Underemployment rates since the onset of The Great Recession (2007) for workers without a high school diploma have skyrocketed by almost 19 percentage points (18.6%); for those with one, the rate jumped more than 14% (14.4%). Those with a Bachelor's degree saw underemployment rates increase by 6.3%.
- Hispanics have seen underemployment rates skyrocket to just under 29% (28.9), 16 percentage points higher than in 2007. African Americans have seen their rates increase to almost 25% (24.8), an increase of 10.1% since 2007, while whites have seen an increase of 8% in underemployment rates.

Industry Losers: The rapid decline of the construction and manufacturing industries adversely impacts the life outcomes of many of the region's residents, from labor market outcomes, such as employment, economic mobility, and earnings, to a broader array of social consequences. Particularly troubling is that an immense majority of those who work in the construction industry in Los Angeles County are Latino, and many of them come from neighborhoods of concentrated poverty. These circumstances render many jobless in an economic abyss.

- Over 59% of construction workers live in Los Angeles neighborhoods of concentrated poverty.
- The ethnic make-up of the construction workers in neighborhoods of concentrated poverty throughout Los Angeles is: 88% Latino, 4% Black, 4% Asian, and 3% white.
- Many Latinos employed in the construction industry have low education levels and limited English, making it very difficult to find employment that requires a formal education.

Policy Recommendations

The policy landscape is already deeply divided with widely different proposals about what, if anything, should be done to fix the severely feeble economy. What this research reveals is that the 'California Dream' has been eroding for the majority of residents at an increasingly intense pace for several decades now. Policies that generate more widely shared prosperity will lead to stronger and more sustainable economic growth. This report recommends several policies to help combat growing stratification in Southern California, including customized job training, government investment in infrastructure, targeted tax credits, addressing China's currency revaluation, and addressing educational inequality. Complacency is likely to lead not only to enhanced inequality and increased social marginalization, but also to prolonged economic stagnation in California and the nation.

Foreword

Southern California is in serious decline. The future of this great international megalopolis, stretching from the northern reaches of metropolitan Los Angeles down through large and rapidly growing communities and across the Mexican border, is under severe threat. We are far away from Washington, D.C. and it seems that no one is acknowledging the severity of our fourth year of what, for many nonwhite families, is a true depression. In fact, both the state and federal governments are cutting back, firing more people, and deepening problems. High tech and international trade have recovered, there are TV and movie shoots all over LA, and luxury stores are prospering. But nothing is mending the very high overall jobless rate, more than twice the 2006 level, far worse and more damaging to communities of color, high school dropouts, and to workers without higher education. The California Budget Project analysis shows that the average inflation-adjusted income of the top 1% of California's taxpayers increased by over 50% over the past two decades (1987-2009). In contrast, the average income of Californians in each of the bottom four fifths of the distribution lost purchasing power, and people in the bottom fifth have seen a wrenching decline of over 19%. There has been a sharp increase in Californians who have given up looking for jobs and are no longer reported in the unemployment statistics, and many others want full-time jobs but are working part-time. Many Californians are protesting and they have every right to demand a better future. We should think very hard -- both about short-term assistance to prevent lasting economic and social losses and about the kind of serious long-term educational efforts that must be made.

Southern California is a region with a rapidly shrinking white minority among its young, with an educational system failing to give millions of nonwhite youth the education they need to survive and flourish in its future. The good jobs for low skill workers in manufacturing are largely gone on the U.S. side of the border, with a substantial number transferred to the factories in Northern Baja and many to Asia. The good construction jobs, which flourished in the housing boom, shriveled up in one of the nation's most spectacular housing busts. Long before the Great Recession, incomes were becoming more unequal and opportunity more linked to education, but that crisis has now reached extraordinary depths in many Latino and African American communities. Every year, Southern California is busy firing many thousands of its teachers even while it faces a decline in average educational levels, and huge dropout problems severely damage the state's society and economy. California slashes state funds for college, presents students with soaring tuition increases, and greatly reduces course offerings just as it gets much harder for young people to find jobs. The state has been locked in complete political stasis by ballot propositions that gave the minority a veto and by the unanimous belief (of the Republican minority) that there are no human needs sufficiently urgent to justify increasing taxes on anything in the state. We actually let taxes decline while the

institutions fostering human capital and creating economic mobility dry up. While our major international competitors across the Pacific are investing mightily in education, we are crowding students into huge classes, eliminating services that can rescue and redirect students, and letting some of the world's greatest public universities decay. We are letting perfectly good housing fall into disrepair and even abandonment because we cannot figure out either how to keep the families in their homes or to put them to another good use. Federal policies aimed at saving the banks and Wall Street may well have blocked another great depression, but without any major interventions directly addressing unemployment or the housing disaster, these same policies have done nothing to produce a recovery in California, or even to maintain educational opportunities at the pre-crisis level. Federal dollars slowed the decline in public services for two years but it appears we have now hit the wall and may soon face yet another round of cuts.

There are no policies under serious discussion that would trickle down to the minority communities facing increasing despair or to the institutions that serve them. Policies framed by policy makers living in much less afflicted East Coast settings are inadequate for addressing the crisis here. California teachers trying to save students in "dropout factory" high schools, where most students do not graduate and thus face lifelong economic barriers, now have classrooms with more than 40 students. Those schools face firing many valued colleagues, chaotic reorganizations of declining staffs, and the high barriers imposed by test score requirements and exit tests, particularly for students from devastated families. The Obama administration talks of additional requirements and accountability for schools that already confront impossible conditions.

As young people without education find fierce competition for jobs that do not pay enough to live on, we are closing opportunities for them to improve their skills. If they don't get a decent job or if they remain jobless for a long time, their already limited chances will suffer further long-term harm. They see no one in political office with any serious plans to change their situation.

In protests across America and in many cities around the world, we are witnessing their pleas. We see young people shut out of college or the labor market or both. The protesters are disappointed in policies that rescue banks and bond holders, but do little for the nation's workers or homeowners suffering from a crisis they did not cause. They see jobs shipped abroad but cannot afford the goods produced by workers in other countries. For decades, workers, especially those without enough education or training, have been riding a downward escalator in terms of real income. Now they see that things can become much worse. For the African American communities, many of which live in perpetual recession conditions, this is a depression. For Latinos, who have had high levels of employment in traditionally low-wage jobs, the situation is desperate. Things are especially grim for men of all races, but particularly for men of color, a great many of whom compete in an

unforgiving job market without even a high school education. As they are kept jobless for longer and longer periods, they lose their connection with the job market, it becomes harder and harder for them to return to a decent job or any job, and families suffer. Some of this pain is going to wreck people's life chances.

In addition to those who have already lost jobs, there are very large numbers of unemployed who are so discouraged that they have given up looking, and consequently they are no longer counted as unemployed. In addition huge numbers are *underemployed*—working less than full time because they cannot find fulltime work. In Los Angeles County, for example, in September 2011, some 25% of Latinos and 34% of African Americans were underemployed.

From this report, which is part of a set of studies (called the Lasanti Project for the region encompassing Los Angeles, San Diego and Tijuana) looking at opportunity and equity in the huge 150-mile-long urbanized area of Southern California and greater Tijuana, it is clear that the future of this region belongs to what is already a 75% nonwhite population in Southern California's public schools, and to the future workers and citizens of the region who we are failing to prepare. The costs are made clear in this report. In the long run it demands an intensification of educational and economic development efforts, both of which support the other with a special focus on those huge groups that have been excluded and are now paying terrible costs.

When parts of the United States experience a natural disaster, like flooding, hurricanes or tornados, everyone understands and wants to help because these are things that are not the fault of the victims. The economic crisis that is destroying families and communities in our region is also not the fault of its victims. They have nothing to do with the banking system, many falling victim to the unregulated and reckless greed of the mortgage finance industry, which sold people homes they could not afford to increase commissions, sold investors worthless securities based on those mortgages, and sent the bill to the U.S. treasury, crashing the economy. Where the unregulated greed was most extreme, the workers and the public institutions that serve their families suffered the most. This is an emergency, much worse than having your home flooded or your roof blown off, and it is time for disaster relief. Homes can be rebuilt but many lives devastated by this economic crisis will never fully recover.

We need to do what was done during the Great Depression, and even during far less serious declines, like the 1970s public service employment programs of Presidents Nixon, Ford, and Carter--we need to stop wasting the energy of people who cannot find jobs no matter how hard they try, put them to productive use, and give those excluded from opportunity some connections, useful experience, and hope. We need expanded Job Corps, conservation corps, a Neighborhood Youth Corps, and other good ways to use wasted energy and diminishing lives. President Obama's

jobs bill putting teachers and public safety workers back on the job is a good idea and urgently needed, but even that modest step has been rejected in Congress. We need much more to reach the Latino, African American and poor white workers whose lives have been shattered by the Great Recession. The research on the Carter Administration's version of public service employment showed that it reached a diverse and disadvantaged population, provided needed public services, and brought into the labor force many who would have been otherwise excluded. This program reached a peak of 725,000 jobs in 1978 and was accomplished in response to a much smaller recession.

Unemployment insurance is good and necessary *as a last resort*, but it does nothing to either increase job training, employment experiences and discipline that will be so important when jobs return. Keeping people on unemployment for years and doing nothing about upgrading their skills or using their energies is a failure of vision.

If you are brown or black, with a poor education, and living in one of the devastated, formerly booming communities of the Inland Empire of Southern California, then you are living through the fourth year of a serious depression with no positive signs in sight. You are living near prosperous and creative studios where films, television shows and music for the world are produced, perhaps not far from the geniuses at Caltech, in an area where \$200,000 cars pass you by on the great web of freeways, but there seems to be no exit for you from this disaster. The idea that the government should continue tax subsidies for the guys in big cars, while cutting assistance to those without jobs or hope, is intolerable. Even the experts predicting what the future holds after the Great Recession finally ends in California and real job growth returns years later, offer little hope for people who have been jobless for a long time or to young people who never got a first job and have no real experience. For Southern California, this is not a sad story about the margins of our society; it is a tragic story about the center of our future society, in our huge and immensely productive region. Nothing is more important than breaking the intractable link between bad education and bad or no jobs, and doing it as soon as possible. We need urgent action at all levels of government and within our major institutions to substantially raise graduation rates from high school and college—to make this a fundamental goal—and to put the workers whose time and talents are now wasted and atrophying back to work.

Gary Orfield
December 2011

The Lasanti Project Description

One of the largest and most complex megalopoli in the world stretches through 150 miles of continuous urbanization. It begins in the northern suburbs of Los Angeles, continues through the vast communities of metro LA to metro San Diego, and from there crosses into the large and rapidly growing metro on the other side of the world's busiest border, the greater Tijuana area. (Lasanti is a word invented to reflect the combination of Los Angeles, San Diego, and Tijuana.) The California side has one of the richest large urban settlements in the world, which provides home to one-fifth of all U.S. Latinos, the largest black community in the West and the second largest Asian community in the nation, and as well as a white community that sought and found the California dream but now is only a small and rapidly shrinking proportion of its coming generation. The Mexican side is younger, growing more rapidly and one of the most prosperous parts of Mexico. California is being changed by migration from across the world but mostly from Mexico, Central America and a handful of Asian nations. Metro Tijuana is a great magnet for migrants from across Mexico and Central America. The border is fiercely guarded but massively crossed and ties of family and business are ubiquitous. This vast region is home to the world's center of mass media and film, and also massive conflicts over drugs desired in California and supplied by vicious Mexican narco gangs. Both sections share the same environment and water sources.

The Lasanti Project is particularly interested in the demographic transformation and profound inequalities and separations that exist along racial, ethnic, linguistic, and social class lines. It's most basic questions concern the structure of opportunities for the coming generations. Lasanti is a huge, mutually dependent and interrelated area, divided by national and municipal boundaries, by politics, by race, ethnicity and poverty, by media, by language, by coastal and inland locations and, sometimes, by fear. The region is in a period of dramatic change along many dimensions. Trends show that it is likely to become more polarized and less able to realize its promise, especially if existing trends continue.

The research began in an interdepartmental two-quarter seminar at UCLA dedicated to trying to understand the region and the threats to its future stemming from the failure to effectively educate and employ most young people across the region. In a period of general economic crisis and slashes in government, these changes have gone very far without being confronted seriously. Too many policies that ignore the changing nature of the region only serve to deepen inequalities. We are on a path to exclude most of the next generation from opportunities to securely enter the middle class, policies which will produce a decline in Southern California's average educational levels, which is virtually certain to produce a decline in economic success. This is a path leading to decay and division.

The initial study, [Divided We Fail: Segregated and Unequal Schools in the Southland](#), was issued in March 2011. After this second study on employment and job opportunity, a third study will focus on college access in the region, with later studies incorporating the findings of the 2010 Census in both countries and look at health care inequalities in particular sectors, attitudes and aspirations in the region and, perhaps, along other dimensions. The issues raised by these studies are not addressed in the political debate going on today in the region. Decisions taken to solve the immediate fiscal crisis or to win the next election are important but a larger vision is essential. There are very costly long-term consequences of doing nothing about fundamental structural inequities, and these are exactly the kinds of issues universities can help illuminate. The Lasanti project studies the racial and ethnic transformation and destiny of a vast community. Our goal is to produce a series of solid, scholarly reports, clearly written with accurate data that make evident the scale of the transformations and the choices before the region.

We hope these reports get citizens and policymakers thinking in terms of decades or generations and focusing on the most fundamental question—how can we make a good and successful transition (to an equitable and inclusive region) in a society of constantly growing diversity?

The Lasanti region is where the great forces of Latino society, white European-American history, Asian societies, and a large African American community all come together far more dramatically than in any other great urban complex. It can become a troublesome puzzle of deepening separation and lost opportunity, or a place where these forces unite, where our institutions respect and draw on the richness of diversity, and where we prepare the coming generations to be at the forefront of creativity and innovation for the nation and the hemisphere. If it is to be a successful society with a strong middle class, and if it is to continue to gain in education and human capital, it must open doors that today remain shut. It must educate and bring into the mainstream groups who have been largely excluded from the best that California has to offer. These studies are addressed to those who want to think about broad systemic issues and begin to create a consciousness of the challenges before our region. Our hope is to fuel debates about policies that could turn us from deepening separation and decline towards fostering a just and vital community, a model for both the U.S. and Mexico.

Fragmented Economy, Stratified Society, and the Shattered Dream

Kfir Mordechay

Introduction

As we close the first decade of the 21st century in the midst of one of the largest recessions since the Great Depression, there is little wonder that policymakers and academics are increasingly concerned about the nature and distribution of opportunity in the United States. Nearly every region within the U.S. has experienced a time of unprecedented change over the last few years, and the state of California is no exception, as it has been among one of the hardest hit regions during this time of extreme economic slowdown. While some believe in the promise that with hard work every individual can succeed, others are concerned that our society is becoming increasingly fragmented, leaving many groups and individuals behind. Though easily drawn to focus on this time of extreme economic slowdown, it seems the changes to the Southern California economy over the last three years are only symptoms of an already existing problem that has been exacerbated by the recession, and not created by it. As such, we began to wonder about the opportunities for the various population segments in the “LASANTI” megalopolis, a region which includes the six counties comprising the Southern California region-- Los Angeles, San Diego, San Bernardino, Riverside, Orange, and Ventura counties--in addition to the Baja region of Mexico on the other side of the border.

To explore the opportunity question, this report looks at how education and race are intricately linked to the jobs people obtain, and their prospects for mobility. The exploration begins with examining the trends of deindustrialization and its effects on wages and the nature of work over the past thirty years in California, made possible by the growth of technology, and intensified global economic integration, resulting in a major transformation of the economic structure of American society. Next, the report examines Southern California's explosive real estate boom that began in 2000 and culminated in the housing market bust of 2007, along with the subsequent onset of the Great Recession and its devastating impact on the most vulnerable segments of the region's population. Lastly, this study discusses lessons culled from the reality of California's labor market and considers goals and policies that could help produce a more secure future for the residents of the Southern California region.

The Baja region of Mexico is included in this analysis of the labor market dynamics of the South California region. Throughout this study, the reader should keep in mind that the United States and Mexico share many interests beyond what is directly related to trade, investment, and other forms of economic activity. Spatially,

these separate nations share an almost 2,000-mile long border and to a great extent have interconnections through the Gulf of Mexico. The two countries have links through a long history of migration, tourism, and familial and cultural relationships. In addition to their shared border and linkages, economic conditions in Baja are important to the United States because of the area's proximity to California, investment interactions, trade relations, and other social and political features that are affected by the economic relationship between the two regions. In examining this interconnected region, the report will primarily emphasize industrial employment, as the *maquiladora*¹ industry constitutes a substantial portion of U.S.-Mexico trade. Moreover, while this chapter will examine both sides of border, the primary focus will be on Southern California.

This research shows that for several decades there has been a trend towards differential educational and employment opportunity, and that these social and economic inequalities have been heavily related to racial, ethnic, spatial, and social class distinctions. Individuals from the lowest social rungs, particularly Latinos and African Americans, not only begin with different opportunities and resources, but often times do not have the paths to mobility in the quest for social and economic well-being. This trend of racial and class stratification, in terms of employment prospects, earnings, and educational opportunity, has been increasing for the last 30 years, at least.

In addition to this stratification, both the construction and manufacturing industry deserve careful attention. The construction industry is especially important, because the speculative building of residential units was the basis of the last decade's economic boom in California, and its collapse has exposed vulnerable segments of society. The manufacturing industry also warrants careful attention, not only because it has been central to mobility throughout U.S. history, but also its decline over several decades has had striking impacts on job structure and wages throughout the nation. The rapid decline of both industries adversely impacts the life outcomes of many LASANTI residents, from labor market outcomes, such as employment, economic mobility, and earnings, to a broader array of social consequences.

There is a strong link between education and the jobs people obtain, and their prospects for mobility. Presently, the majority of students coming out of the educational system in Southern California are from racial and ethnic groups facing serious problems in the labor market. Each year across the region, a dangerously high percentage of students -- disproportionately Latino and African American -- are disappearing from the educational pipeline before graduating from high school.

¹ The basic scheme of operation is: foreign-owned factories in which imported parts are assembled into products for export, and where all production parts are imported and the finished products are not sold in the domestic market.

Without a doubt, this is a tragic educational failure of wasted human potential and extraordinary economic loss. If trends don't change, a substantial majority of people born in the region will be ill-prepared to contribute to the labor force and the global economy, and will continue to experience downward mobility.

This exploration of the LASANTI region reveals a complex relationship between race, ethnicity, social class, gender, geographic location, and educational opportunity. The differential economic opportunity in the LASANTI region provides a telling story of the challenges we face throughout the nation. If we are to address the state's and the nation's growing economic inequality and emerge from this recession better and stronger, it is imperative to gain a thorough understanding of the highly diversified labor market and the differential nature of opportunity.

In this report, data collected from a number of sources are shared regarding economic opportunity in the Southern California region. This research begins by investigating the following:

- The divergent economic fortunes of skilled and unskilled workers within the context of 30 years of deindustrialization.
- Differentials in income, and employment trends for different racial groups in the region.
- The labor force profile across racial, ethnic, gender, age, education, and geographic boundaries.
- Industry in the region.
- The consequences of NAFTA on the LASANTI region.
- The effects of The Great Recession on different segments of the population, and the likely intensification of urban inequality along racial lines.
- Regional fortunes inland and on the coast.
- Possible ways to equalize opportunity, not only for the sake of social justice, but for the economic development of the entire region.

It is important to note that due to limitations of the data, some information is presented at the state level, while some is presented at the county level. Ultimately, the goal is to tell a story of the dynamics of opportunity in this massively changing megalopolis. This report will provide an overview of employment and income information in the Southern California region over the last 30 years, using summary statistics from the 1990 and 2000 U.S. Census, along with the ongoing American Community Survey, reports issued by the California Budget Project, The Economic Policy Institute, The Brookings Institution, and other research, with an emphasis on the last decade in particular.

What did the labor market look like prior to the recession? How has the recession impacted employment and income opportunities in Southern California? What does

the labor market look like among different racial and ethnic groups? Or different ages? Or genders? Most importantly, what can we expect for the dynamic labor market when the economy finally recovers?

The Not so Golden State: Wage and Job Growth Stratification in California

Since the late 1970s, California has experienced exceptionally high rates of job growth. In the 1980s, it was defense industry that fueled the economic boom of the state; in the 1990s it was the dot-com industry; and in the 2000s it was the red-hot housing market. Unfortunately, however, since the 1970s the job growth of this region has been concentrated in low-wage and high-wage jobs, while very few “in-between” or middle jobs have been created. As a result, wage and income distribution² has widened tremendously between low-wage and high-wage occupations.

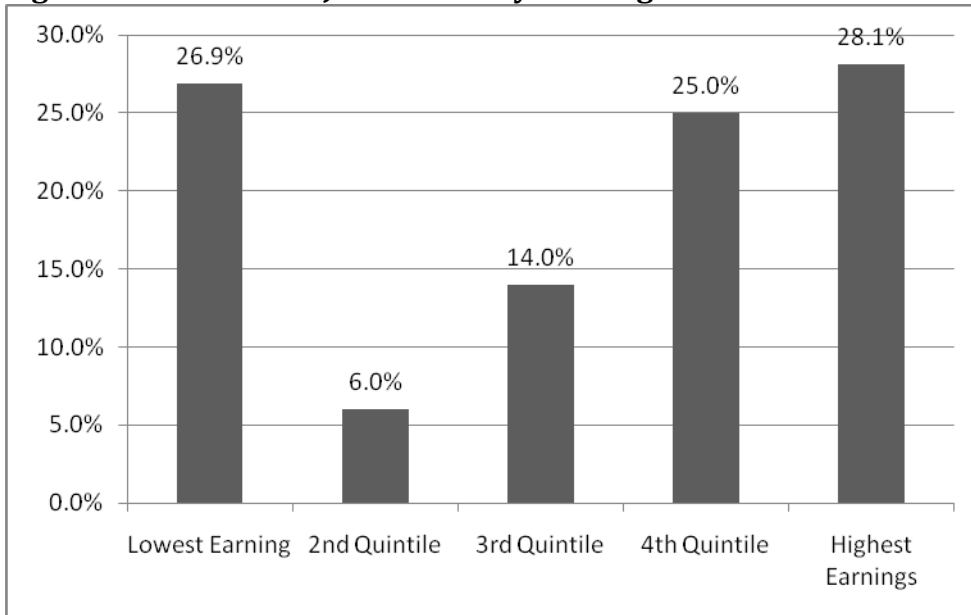
With the increase of global market integration, the last 30 years have changed the California job structure dramatically. The growth in technological innovation has changed the nature of work in almost every occupation, resulting in the consequent lowering of demand for middle-skilled workers. Since 1980, both low-wage and high-wage jobs have been created, with substantially fewer jobs created in the middle of the income distribution of wages. Moreover, California’s job growth was considerably more concentrated at each end of the earnings distribution during the 1990s and early 2000s than in the 1980s.³

The California Budget Project, a think tank in Sacramento, has calculated California’s job growth since 1979 by earnings. As can be seen in figure 1 below, more than one of four jobs created in California between 1979-2005 (26.9%) had hourly earnings in the bottom fifth of wage distribution, while 28.1% of jobs created had hourly earnings in the top fifth. This accounted for 55% (approximately 3 million jobs) of all jobs created during this time period in California. In contrast, California’s share of job growth in the middle of the wage distribution was much weaker than growth at the end of the distribution. California added fewer than 350,000 jobs (6%) in the second fifth of the earning distribution during the same 26-year time period. Also, just 14.0 % (800,000 jobs) of the job growth took place in the third fifth of the earnings distribution.

² Income distribution is the way in which income is divided among the members of the economy. A perfectly equal income distribution would mean everyone in the country has exactly the same income.

³ California Budget Project. “A Generation of Widening Inequality: The State of Working California 1979-2006.” Retrieved from http://www.cbp.org/pdfs/2007/0708_swc.pdf

Figure 1: California's Job Growth by Earnings 1979-2005



Source: California Budget Project

The job growth by wage distribution was even more stratified during the 1990s than in the 1980s. A full 70.3% of jobs created between 1989 and 1999 had hourly earnings in either the bottom fifth or the top fifth of the distribution. This reflects the fact that for several decades now, the middle level mobility jobs have been disappearing from California. The figures between 1989 and 1999 express a higher intensity of social and economic stratification than figures from the 1979-1989 time period where 45.5% of jobs created were in either the top fifth or the bottom fifth of the distribution. More than one in three (37.1%) jobs added in the 1990s were in the bottom fifth of the earnings distribution, more than twice the amount added in the 1980s (18.5%). In addition, one in three jobs created (33.1%) during the 1990s was in the top fifth of the earnings distribution scale, compared to 27% during the 1980s.

In the period from 1999-2005, almost 69% of all jobs created were in either the lowest or highest end of the earnings distribution scale. As seen in figure 2 below, a full 43.1% of new jobs created were on the lowest end, while 25.5% of the jobs created were at the highest end of the earning distribution scale. The trend in California of increasing polarization of the types of jobs that are available largely reflects the decline of manufacturing jobs for several decades.

Figure 2: California's Job Growth by Earnings Quintiles 1999-2005



Source: California Budget Project

From Manufacturing to Service: The Shriveling Middle Class

The fast-rising trend of inequality in California that has been marked by polarized job growth and drastically unequal income gains largely reflects the decline of manufacturing jobs and the creation of a service and technology economy. Without understanding the deindustrialization of America, it is difficult to understand the restructuring of the economy that has been taking place. For many decades, manufacturing was a source of “middle wage” and stable, unionized jobs for many Americans, particularly for those without a college education.⁴

The Los Angeles area is a telling case of a city that was once one of the manufacturing centers in the United States. The city was founded in 1781, was a small agricultural town for much of its history, and did not really experience a land boom and urban sprawl until after World War II when it became the center of the defense industry and auto industry on the West Coast.⁵ This durable manufacturing epicenter was quickly lost, following a similar fate of the Mid-Western “Rustbelt.” In 1970, one in five Los Angelinos were employed in durable manufacturing. However, thousands of well paying unionized jobs in the manufacturing sector such as auto, steel, glass, and rubber, began to disappear at a rapid rate throughout the 1970s and

⁴ Center for Continuing Study of the California Economy. “Opportunities and for the California Economy.” Retrieved from <http://www.ccsce.com/PDF/California-Green--Opportunities-and-Challenges.pdf>

⁵ Lawrence Bobo, et al., *Pristamic Metropolis: Inequality in Los Angeles*. (New York: Russel Sage Foundation, 2000.), 11.

1980s.⁶ The immense majority of California's manufacturing job losses since 1979 occurred in middle wage occupations or jobs with earnings in the second through fourth fifths of the wage distribution. California Budget Project analysis of Census Data shows that 98.3% of the manufacturing jobs lost during this period had typical hourly earnings in the middle of the distribution (appendix A, figure 1).

The severe decline of manufacturing jobs since 1979 means that middle mobility jobs have almost all but disappeared. The jobs that have replaced manufacturing have mostly been in the service sector, which includes jobs such as sales persons, cashiers, food preparation, and other types of service workers. These jobs tend to be in the typical hourly earnings at the bottom fifth of the income distribution scale.⁷

Uneven Wage Gains in California

Since the 1970s, the gap between the haves and have-nots has significantly widened in urban America. In fact in 2007, before the recession, the top 1% of earners took home 23.5% of total income earned in the nation, the highest share since 1928.⁸ In California, the widening gap in inflation-adjusted income has been more severe than in the U.S. as a whole. Since 1979, high-wage Californian workers earned substantially more than their counterparts in the nation as a whole (figure 3). After adjusting for inflation, their hourly earnings from 1979-2006 increased by 3.7 percentage points more than that of similar U.S. workers. For California workers at the middle of the wage distribution, wages have barely kept pace with inflation, and have been 3.6% lower than typical middle-wage workers in the U.S. California's low-wage workers have seen a decline of 7.2% in wages since 1979, contributing to a substantial decline in purchasing power whereas in the U.S. as a whole, low-wage workers have experienced gains of 4%.⁹ These data suggest that the stratification between low-wage and high-wage workers in California is more extreme than in the United States. While the last 30 years have been difficult for California's low-wage and middle-wage workers, only those on the top 20th percentile of the distribution scale have seen substantial gains to their purchasing power.¹⁰ In addition, recent figures released by the Commerce Department indicated that personal income¹¹ in California fell last year for the first time since the Great Depression. The 2.5% drop in personal income throughout the state works out to \$1,527 fewer dollars for every man, woman and child in California, which is more extreme than the national

⁶ Ibid., 54-55.

⁷ California Budget Project. "A Generation of Widening Inequality: The State of Working California 1979-2006." Retrieved from http://www.cbp.org/pdfs/2007/0708_swc.pdf

⁸ The Economist. As Jobs Fade Away, May 8, 2010. Retrieved from <http://www.economist.com/node/16060939>

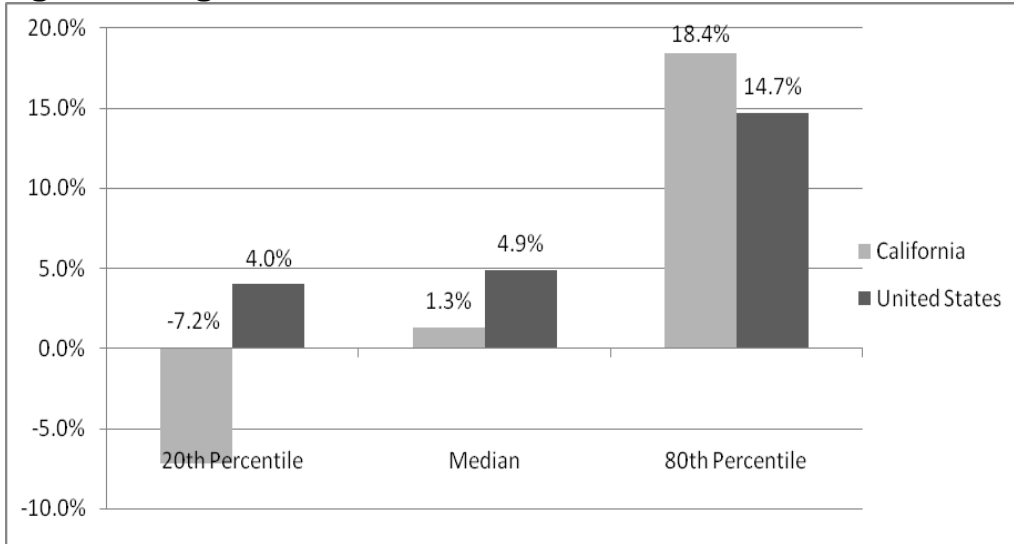
⁹ Purchasing power is the quantities of goods and services that can be purchased with a given amount of money.

¹⁰ California Budget Project. "A Generation of Widening Inequality: The State of Working California 1979-2006." Retrieved from http://www.cbp.org/pdfs/2007/0708_swc.pdf

¹¹ Personal income includes wages and salaries, health and pension benefits, rents, dividends and interest, federal payments such as unemployment and Social Security, and just about every form of wealth except stock sales and other capital gains.

decline of 1.7% (\$1,028 per capita).¹² By contrast, from 2009 to 2010, wages grew by 8.7% in Santa Clara County, the states high-tech hub.¹³ These data suggest divergent fortunes and that inequality in California is likely to widen even further.

Figure 3: Wage Gains in California and the U.S. between 1979-2006



Source: California Budget Project (Analysis of Current Population Survey data)

Income Polarization by Race

Income is what the average family uses to produce and reproduce daily life in the form of food, shelter, clothing, and other necessities. Income can also serve a determinant of asset accumulation such as home ownership, stocks, bonds, and other financial holdings, which translate into increased opportunities. The near absence of asset ownership has extreme consequences for economic and social well-being and for the ability of families to plan for future social mobility--to secure their quest for well-being in whatever form is desired, such as putting a child through college, starting a business, finding material comfort, and so on.¹⁴ Much past research on income differences is flawed by insufficient attention to how income creates wealth. Wealth can be defined as what one owns minus what one owes. Therefore, when exploring differences in income one should keep in mind how income potentially creates wealth accumulation, as wealth is surely one of the powerful instruments of perpetuating intergenerational inequality. Recent 2009

¹² Tome Abate, "Personal Income Falls 2.5% in California," *San Francisco Chronicle* Online Business Report, March 26, 2010.

¹³ Edward Glaeser, "The Information Economy Powers Wage Increases," *Economix* (blog), *New York Times*, October 26th, 2010.

¹⁴ Neil Smelser, William Julius Wilson, and Faith Mitchell, *America Becoming: Racial Trends and Their Consequences, Volume 2* (Washington, DC: National Academy Press, 2001), 222-230.

data compiled by the Pew Research Center revealed a dramatic racial wealth gap throughout the nation, which is more stark than the racial income gap. The data shows the wealth gap between whites and minorities significantly widened during the Great Recession, and further, that the wealth gap is the widest it has been since the government began publishing such statistics by race/ethnicity.¹⁵ The Pew study looked at wealth numbers between 2005 and the technical end of the Great Recession in 2009. It found that the racial wealth gap exploded in that time period, as blacks and Latinos suffered dramatic blows from the collapsed housing market. Median wealth, that is the net value of your assets versus your debts, fell by 66 percent among Latino households and 53 percent among black households, while it fell just 16 percent among white households.¹⁶ Still, while the recession worsened the racial wealth gap, the trend has been headed in that direction over the past 25 years.

Income levels show significant differentiation when examined across racial and geographic lines. Asian and white family incomes are substantially higher than those for African Americans and Hispanics. In 2000, at the time information on income was collected in the last U.S. Census, Hispanics had the lowest median family income¹⁷ of any major racial and ethnic group in the LASANTI region. Data illustrates that in Los Angeles County, for example, whites had a family income (\$69,396) more than twice as high as the number for Latinos (\$33,363), and significantly higher than African Americans (\$37,190) (appendix A, table 1).

Similar data is presented regarding median household income¹⁸ in the LASANTI region. A similar pattern to that for median family income is evident across different racial and ethnic groups in Los Angeles County: Asians and whites with the highest income levels (\$47,631, and \$53,978, respectively), followed by households headed by individuals identified with Two or More Races (\$36,292,); and African Americans and Latinos have the lowest income levels (ranging from \$31,905 to \$33,820) (appendix 1, table 2).

The same general per capita income pattern held as that for family and household median incomes. Table 1 below lists per capita income¹⁹ rates for the total

¹⁵ Rakesh Kochhar, Richard Fry and Paul Taylor, *Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics Twenty-to-One* (Washington, DC: Pew Research Center, Social and Demographic Trends., July 26, 2011)

¹⁶ Ibid.

¹⁷ The Center for Comparative Studies in Race and Ethnicity at Stanford University has paraphrased the definition of family income from the U.S. Department of Commerce: "family income includes income of all family members 15 years and older related to the householder."

¹⁸ The Center for Comparative Studies in Race and Ethnicity at Stanford University has paraphrased the definition of household income from U.S. Department of Commerce: "Household income includes income of all individuals 15 years and older in the household, regardless of whether they are related to the householder. Because many households consist of only one person, average household income is usually less than average family income."

¹⁹ The Center for Comparative Studies in Race and Ethnicity at Stanford University has paraphrased the definition of per capita income from U.S. Department of Commerce: "Per capita income is the mean income

population of the LASANTI region and each racial group. Whites and Asians in Los Angeles County maintain the highest per capita income levels (\$35,785 and \$20,595, respectively); following them are African Americans (\$17,341), individuals that identified with Two or More Races (\$14,782), and Latinos (\$11,100), who have the lowest per capita income levels.

Table 1: County Per Capita Income (in US Dollars), by Race, 2000²⁰

County	Latino	African American	Asian	White
Los Angeles	11,100	17,341	20,595	35,785
Riverside	10,717	15,301	18,589	24,999
San Bernardino	11,395	14,822	19,557	22,033
San Diego	11,738	16,770	19,039	30,150
Ventura	12,424	21,934	26,188	32,074
Orange	12,122	22,322	21,137	35,739

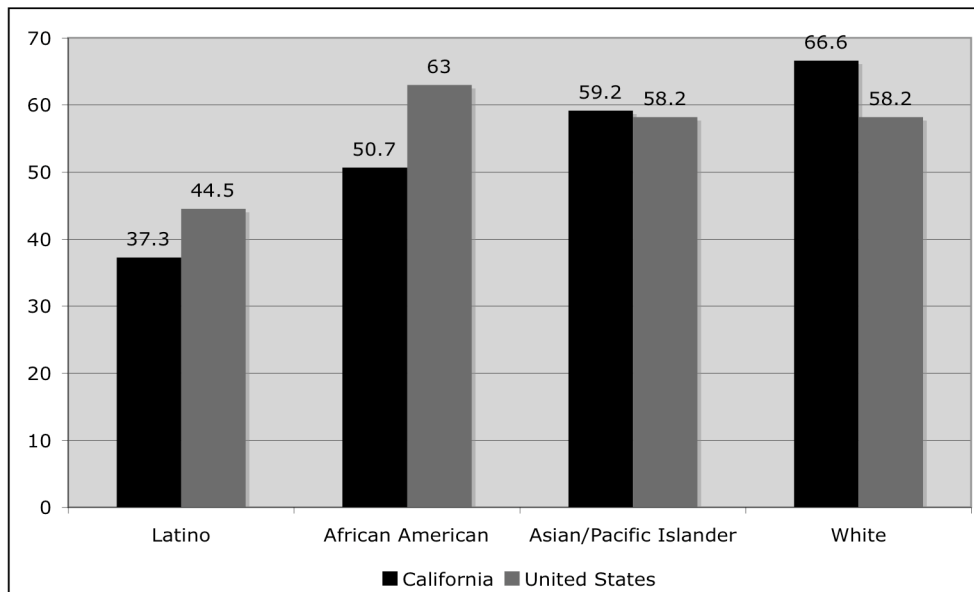
Source: Center for Comparative Studies in Race and Ethnicity, Stanford University; 2000 Census

Another way to examine per capita income differences across the different racial and ethnic groups is to consider the change that has occurred over a period of time. Figure 4 clearly reveals that per capita income differential has intensified from 1990 to 2000 in California, as measured by the Census surveys. According to a demographic report published by the Center for Comparative Studies in Race and Ethnicity at Stanford University, whites saw a significant increase in per capita income in California (66.6%), compared with whites in the United States as a whole (58.2%). Asians/Pacific Islanders experienced less of an increase in California (59.2%), but the same increase as whites nationally (58.2%). Particularly striking is the relatively low increase in per capita income for African Americans (50.7%) and especially for Latinos (37.3%) in California, compared to both whites and Asian/Pacific Islanders in California, and other African Americans and Latinos throughout the United States. These stark differences in per capita income changes in California present disturbing evidence that income inequality is intensifying in the state much more than in the nation as whole, along racial and ethnic group distinctions.

computed for every man, woman, and child in a particular group; derived by dividing the total income of a particular group by the total population in that group.”

²⁰ Two or more races category represents a small percentage of the whole, and due to the small size of the population, the category was deleted.

Figure 4: Percentage Change in Per Capita Income from 1990 to 2000, by Race²¹



Source: Center for Comparative Studies in Race and Ethnicity, Stanford University, 1990; 2000 Census

Employment in Southern California: 2000 - 2007

The first decade of the 21st Century has had its share of economic ups and downs, as the United States both began and ended the decade in two separate recessions (2001; 2007-2009). The state of California was hit hard both times, due to California’s substantial connection to the collapsed industries deemed responsible for the downturns--the dot com industry (2001) and the housing market (2007). According to a report released by the California Budget Project in 2007, the state of California experienced only a modest recovery after the recession earlier in the decade, emphasizing a larger concern about how California will fare after the devastation of the current recession. Employment levels declined between 2000 and 2006, with only 70% of working-age Californians employed in 2006, compared to 71.9% in 2000, a loss of 440,000 employed persons.²² The state employment rate bottomed out in 2003, and, after beginning to rise, fell flat between 2005 and 2006.²³ The Southern California region fared slightly better than Northern California in the first half of the decade, with employment declines in the greater

²¹ Income change is not adjusted for inflation.

²²*Labor Day 2007: California’s Workers Face a Mix of Promising and Troubling Trends* (California: California Budget Project, February 2007). Retrieved from <http://www.cbp.org/pdfs/2007/0708_laborday.pdf>

²³California Budget Project. “Labor Day 2007: California’s Workers Face a Mix of Promising and Troubling Trends”. Retrieved from http://www.cbp.org/pdfs/2007/0708_laborday.pdf

Bay Area for four straight years between 2000 and 2004.²⁴ While the Northern California economy remained weak, economic growth in Southern California in general “was impressive in 2004, compared to the Northern half of the state.” It was in 2004 that Southern California, and Los Angeles County specifically, began to experience job creation for the first time since 2001. The region continued to grow for the next few years, as economic growth in Southern California was strong, and even deemed “impressive” in 2006, that is, until a sharp decline in economic growth in 2007.²⁵

Despite a recession in the early part of this decade, employment in the Southern California region was steady, particularly between 2004 and 2007, with job creation and economic growth common among each of the six counties in the LASANTI region. In Los Angeles County, for example, “the unemployment rate fell to 4.7% in 2006, the lowest rate in over 20 years.”²⁶ Each of the six counties experienced job growth between 2004 and 2007 and low unemployment rates throughout the beginning half of the decade, with an average unemployment rate of 4.16% across the counties in 2006. This stands in stark contrast to the current average unemployment rate of 12.16%,²⁷ an increase of 8% in only three years, and over 8% higher than the average unemployment rate of the six counties in 2000, which averaged less than 4% (3.95). However, to better understand employment and opportunity in this region, we will explore the labor force participation rate, that is, the working age population, typically 16-64, who are employed or unemployed but looking for a job. In the United States, the rate is generally around 67-68%.²⁸

Labor Force Participation

The labor force participation rate is defined as the percentage of the working-age population who report themselves as either working or looking for work. This figure is published monthly by the Bureau of Labor Statistics (BLS) and is considered to be the most prominent measure of the supply of workers to the economy.²⁹ Using data from the U.S. Census Bureau’s American Community Survey (ACS) and the State of California’s Employment Development Department (EDD), the civilian labor force participation rate³⁰ for the six-county LASANTI region was

²⁴ *San Francisco Economic Forecast* (California: California Department of Transportation, 2005). Retrieved from < http://www.dot.ca.gov/hq/tpp/offices/ote/socio-economic_files/2005/San_Francisco_Forecast.pdf>

²⁵ Ibid.

²⁶ Ibid.

²⁷ Average unemployment of 6 Counties as of April 22, 2010.

²⁸ California Employment Development Department. Retrieved http://www.edd.ca.gov/About_EDD/Quick_Statistics.htm

²⁹ Stephanie Aaronson et al., *The Recent Decline in Labor Force Participation and its Implications for Potential Labor Supply* (Washington, DC: The Brookings Institute, March 2006). Preliminary Draft.

³⁰ According to the American Community Survey (ACS), “The labor force participation rate represents the proportion of the population that is in the labor force. For example, if there are 100 people in the population 16 years and over, and 64 of them are in the labor force, then the labor force participation rate for the population 16 years and over would be 64 percent.” The actual labor force included those who are employed and

explored. In 2000, the average labor force participation rate for the six counties was 61.6%,³¹ of which 77% of men were participating, and 63% of women.³² The highest work force participation rates were found in Orange County (65.5%) and Ventura County (65.4%), whereas the lowest participation rates were found in San Bernardino and Riverside Counties, 59.4%, and 58%, respectively. Both Los Angeles and San Diego counties hovered around 61%, with a workforce participation rate of 60.5% in LA County, and 60.9% in San Diego. All rates, with the exception of Orange and Ventura counties, were significantly lower than the average work force participation rate in the United States.

During this same time period (2000), the average workforce participation rate was highest among the working age population 25-54, with the lowest participation rate found among 16-19 year olds,³³ at 74.8% and 43.0% respectively (appendix A, table 3). The highest labor force participation rates among all ages, 16-64, were found in Orange and Ventura Counties, whereas San Bernardino and Riverside had the lowest rates of participation among all age categories, though not far behind Los Angeles County, which had the lowest workforce participation rate among 16-19 year olds (38.2%) of all the counties. Although the growing importance of an education may explain low workforce participation among teenagers, immigrant populations may also play a role, particularly those with lower education levels and skills that work in occupations similar to those in which teenagers are likely to work,³⁴ although this is called into question.³⁵ Also, during times of economic contraction, older workers with more experience or skills may look for work in sectors that have historically employed teenagers.³⁶

The workforce participation rates found earlier in the decade were similar to those reported mid-decade (2005-2007) (appendix A, table 4). It is important to note that the age categories were reported differently on the 2000 survey, which included the age category of 25-54, whereas the 2005-2007 ACS further divided the category into 25-44 and 45-54 year olds, making it difficult to compare information across the data sets. With that, the average workforce participation found among the six counties was 64.7%, with Orange County and Ventura County, again, reporting the

unemployed but actively looking for a job. Individuals who are not working and not looking for a job are not counted in the labor force number.

³¹ U.S. Census Bureau, Census 2000 Summary File 3, Matrices P43 and PCT 35.

³² *Employment Status at Six Southern California Counties, 2000, 2004, & 2007* (Source – U.S. Census Bureau and American Community Survey).

³³ According to the American Community Survey (ACS), the age classification is based on the age of the person in complete years at the time of interview. Both age and date of birth are used in combination to calculate the most accurate age at the time of the interview.

³⁴ Steven A. Camarota and Karen Jensenius, *A Drought of Summer Jobs: Immigration and the Long-Term Decline in Employment Among U.S.-Born Teenagers* (Washington, DC: Center for Immigration Studies, May 2010).

³⁵ Heidi Shierholz, *CIS Analysis of Immigration's Impact on Youth Employment Omits Key Facts* (Washington, DC: Economic Policy Institute, May 12, 2010).

³⁶ Marlene A. Lee and Mark Mather, *U.S. Labor Force Trends* (Washington DC: Population Reference Bureau, June 2008).

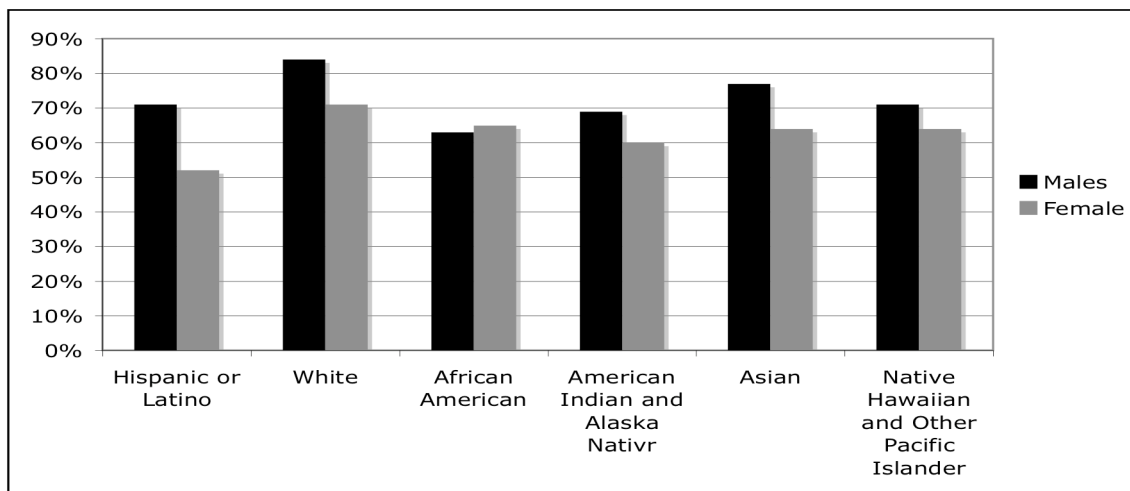
highest rates of employment. The lowest level of employment is found among 16-19 year olds overall, and Los Angeles County has the lowest workforce participation rate among this age group at 34.1, or 9% lower than the highest county (Ventura), and nearly 6% lower than the average rate among the six counties. The highest participation rates are found among the 25-44 age group, with an average participation rate of 79.5% within the six counties. The 45-54 age group reported an average participation rate of 78.9%, only slightly lower than the previous group, and higher than all other groups. Again, the highest rates were found in Orange and Ventura Counties, with San Diego County trailing Orange and Ventura by only 1%, at an 81% workforce participation rate among 25-44 year olds.

Differential Employment by Race/Gender. According to Census data,³⁷ the labor force participation rate in the six counties is highest among white and Asian males, 25-54 years old. In 2000, the labor force participation rate of white males was 84%, compared to 63% for African American males, 71% for Hispanic or Latino males, and 77% for Asian males, among the six counties. As such, among males, the labor force participation rate among 25-54 year-olds was lowest among African Americans. The employment rate of Asians in the Southern California region was only slightly lower than whites, with a 77% and 64% employment rate among the Asian male and female populations, respectively. With the exception of African American (63%) and American Indian men (69%), males in all race/ethnicity groups are employed at a rate higher than 70%, with white males being the only group with a workforce participation rate higher than 80% averaged among the six counties.

The employment story in 2000 held true for white females as well, as they were employed at higher rates (71%) than any other females by race. There is also a significant gap between females with the highest rates of employment (whites, 71%) and those with the lowest rate of employment (Hispanic/Latino, 52%), a nearly 20% difference.³⁸ This is also true for men, as the employment rate among white men is 21% higher than that of African American males. Similar to the trends found among males, with the exception of Hispanic/Latino females, all other races have an employment rate between 60 and 70%, with white females being slightly above. Of all groups, African American females are the only group employed at higher rates than their male counterparts, at 65%, compared to 63% for males.

³⁸According to a study released by the Population Reference Bureau titled *U.S. Labor Trends*, "foreign-born women are less likely to work, particularly if they have young children. The low participation rates of Hispanic women may be attributed to a combination of factors—the high proportion of foreign-born in this population, lower education levels among Hispanic women, and family structure." Retrieved from <http://www.prb.org/pdf08/63.2uslabor.pdf>

Figure 5: Labor Force Participation by Race and Ethnicity in Combined Counties, 2000³⁹



Source: Bureau of Labor Statistics

Further, according to data from the U.S. Census Bureau, the combined employment rates in 2000 for the LASANTI region were the same as the rates found in California, though the study goes on to state that “it was a different story when [comparing] the combined employment rates to the USA rates for male population.” As such, they found “the USA employment rate was 4% higher than the combined rate” for the LASANTI region, which speaks to the findings of Bobo et. al (2000) about the persistence of inequality in Southern California, and in Los Angeles County specifically. “Poverty has been more prevalently distributed in Los Angeles than in the United States as a whole.”⁴⁰ Poverty, a direct result of disproportionate labor market access, showed marked increase in Los Angeles County between 1990 at 16.7% and 1995 at 22.7%, a 6% increase in only 5 years, and significantly higher than the poverty rate found in the United States, at 12.8% in 1990 and 13.8% in 1995.⁴¹

The employment status of various racial and ethnic groups was similar before and after 2000. A 1994 study looking at inequality in Los Angeles reported that the employment rate by race/ethnicity in Los Angeles was 68% for whites, 67% for Blacks, 65% for Asians, and 66% for Latinos.⁴² Though the participation rate among whites is significantly lower than the rates found using the 2000 Census data, and do not appear to be significantly higher than those of Hispanic/Latinos, Blacks, or Asians, it is important note that unemployment rates are included in the

³⁹ Some other races category represents a small percentage of the whole, and due to the small size of the population, the category was deleted.

⁴⁰ Bobo 16.

⁴¹ Ibid., 18.

⁴² Ibid., 9.

labor force participation rate as well. As such, while African Americans had a 67% employment rate, compared to 68% for whites, 15% of African Americans, as opposed to 10% of whites were unemployed. This is also the case for Latinos who, although employed at 66%, had an unemployment rate of 16% in the 1994 study. Asians were the only group at that time to have an unemployment rate below 10%, at 7%, though a slightly lower labor force participation rate than the other groups. To better understand differential access to the labor market, and the varying employment/unemployment rates among different racial and ethnic groups, it would be imperative to explore the factors that contribute to labor market access, or lack thereof, in further detail.

Participation by Education. The workforce participation rate among those with less than a high school diploma trailed significantly behind the participation rates among the other three categories for educational attainment, as can be seen in table 2. For example, those individuals with less than a high school diploma had an average workforce participation rate among the six counties of 66%, which is 8.2% lower than those with a High School Diploma or equivalent, and more than 17% lower than the average workforce participation rate among those with a bachelor's degree or higher, with an average rate of 83.4% found among the six counties. Within each of the counties, there was little variation in the workforce participation rate among those with a bachelor's degree, ranging from 82% in San Bernardino to a high of 84.7% in Los Angeles County. The employment trends among those with various levels of educational attainment hold true within each category, with a range of approximately 2% between the highest and lowest participation rates among the counties. For example, the workforce participation rate among those who have at least some college or an Associate's Degree is highest in Ventura County (80.2%), ranging from 77-to-79% among the four middle counties, to a low of 77.5% in San Bernardino, a difference of 2.7% between the highest and lowest rated counties. Again, this trend repeats itself in each of the categories, showing the largest differences between categories, signifying the deep disparity in workforce participation among those least and most educated.

Table 2: Labor Force Participation by Educational Attainment, 2005-2007

	Labor Force Participation by Educational Attainment, 2005-2007			
	<u>Less than HS</u>	<u>High School or Equivalent</u>	<u>Some College/AA</u>	<u>Bachelor's Degree</u>
Los Angeles	66.20%	73.4	78.3	84.7
San Diego	64.70%	74	78.7	84.2
Ventura	70.40%	76.7	80.2	83.5
Orange County	71.40%	76.8	79	82.8
Riverside	58.90%	71.7	76	83.1
San Bernardino	64.50%	73	77.5	82

Source: US Census Bureau, American Community Survey 2005-2007

Participation by Race and Ethnicity. According to the 2005-2007 American Community Survey (ACS), the workforce participation rate was highest for both African Americans and particularly Hispanics in each of the six counties, which is illustrated in table 3. The high participation rate for Hispanics is largely because immigrant men are more likely than their U.S.-born counterparts to be working or looking for work, as they often migrate for work opportunities.⁴³ If a large number of new workers enter the labor force but only a small fraction becomes employed, then the increase in the number of unemployed workers can put upward pressure on the labor participation rate. In each of the six counties, with the exception to Los Angeles County, both African Americans and Hispanics had the highest rate of people who were either working or looking for work.

⁴³ Bureau of Labor Statistics, "Foreign-Born Workers, Their Characteristics in 2009." News Release, March 19, 2010.

Table 3: Labor Force Participation by Race and Ethnicity, 2005-2007

	White	Asian	African American	Hispanic of Latino Origin (of any race)
Los Angeles	64.0%	61.3%	59.6%	66.8%
San Diego	65.6%	62.4%	66.3%	67.0%
Ventura	66.2%	67.5%	71.6%	68.9%
Orange County	66.7%	61.9%	69.2%	72.0%
Riverside	60.4%	63.7%	63.9%	66.5%
San Bernardino	62.4%	62.0%	61.7%	64.4%

Source: US Census Bureau, American Community Survey 2005-2007

Race and Educational Attainment in LASANTI. It is important to keep the link between education and race in mind throughout this analysis, as educational opportunity has historically been Americans' principal mechanism for upward mobility.⁴⁴ As discussed earlier, attainment of different levels of education is a strong indicator of employment prospects and has varied over time between different racial and ethnic groups in California, serving as a key component of differential incomes and economic stability. Using 2000 U.S. Census data, the Center for Comparative Studies in Race and Ethnicity at Stanford University collected data on educational attainment across different ethnic and racial groups in the LASANTI region. In 2000, over 89% of Los Angeles County's white population, age 25 and older, had completed high school. For Asians the number was just under 82%, and for African Americans just over 79%. Particularly striking, not only in Los Angeles County, but in each of the counties in the LASANTI region, is the low level of education for Latinos. In Los Angeles County, for example, only 42% of the Latino population completed high school, and less than 7% had a Bachelor's Degree at the time of the U.S. decennial survey. For whites and Asians the number is significantly higher at almost 38 and 42%, respectively. As table 4 illustrates, the trend is consistent in each of the six counties; that is, whites and Asians/Pacific Islanders have the highest educational attainment rates, while Latinos and individuals identified as two or more races have the lowest rates, and blacks have rates in between. This data reveals that African American groups, those that identify as two or more races, and Latino groups have drastically divergent labor market prospects.

⁴⁴Margaret Weir, *Income Polarization and California's Social Contract* (California: University of California Institute for Labor and Employment, 2002).

Sharp divisions in well-being by education level suggest a need for policy makers to address educational opportunity for all segments on the population.

Participation by Gender. The labor force participation rate of men has been decreasing since the 1950s, while females have seen a remarkable increase.⁴⁵ This decline has resulted from various complex factors, ranging from the birth control pill to many other factors contributing to women choosing to invest in advancing their careers. Data indicate that the labor force participation rate is significantly higher for males in each of the six counties.

Unemployment. Though the workforce participation rate among various groups within the six-county LASANTI region has been highlighted, it is important to note unemployment levels as well. As you can see in figure 6 below, the trend in unemployment is similar across the six cities over the last decade; when one city experiences an increase in unemployment, the others do as well. However, throughout the decade, the level of unemployment remains the lowest in Orange city, whereas the highest levels of unemployment are generally found in Riverside and San Bernardino, or the city of Los Angeles. For example, in 2005, the unemployment rate was 3.6% in Orange, compared to 4.6% in the city of Riverside, 6.5% in San Bernardino, and 5.3% in Los Angeles, a difference of 1%, 2.9%, and 1.7%, respectively. Regardless of the level of unemployment, this trend holds true. In 2000, when unemployment reached one of its lowest levels in decades, the unemployment rate in Orange was a mere 3.3%, that is 2% lower than the unemployment rate in Riverside (5.3%), 3.5% lower than San Bernardino (6.8%), and 2.8% lower than the unemployment rate in the city of Los Angeles (6.1%) at the time. The sharp increase in unemployment began in 2008, whereas in years prior, the average unemployment rate among the six counties remained under 6% (with the exception of 2001).

Though Orange experienced the lowest levels of unemployment throughout the decade, San Diego remained in close second as it experienced unemployment levels only slightly higher than that of the city of Orange. For example, in 2000 the unemployment rate for San Diego (4%) was 0.7% higher than Orange city's unemployment rate of 3.3%. This story remained consistent throughout the decade, as the difference in unemployment rates between the two cities ranged from 0.6% in 2001 to 1% in 2007, with the highest difference in 2009, when San Diego's

⁴⁵ Bureau of Labor Statistics, *Changes in Men's and Women's Labor Force Participation Rates*, January 10, 2007. Retrieved from <http://www.bls.gov/opub/ted/2007/jan/wk2/art03.htm>.

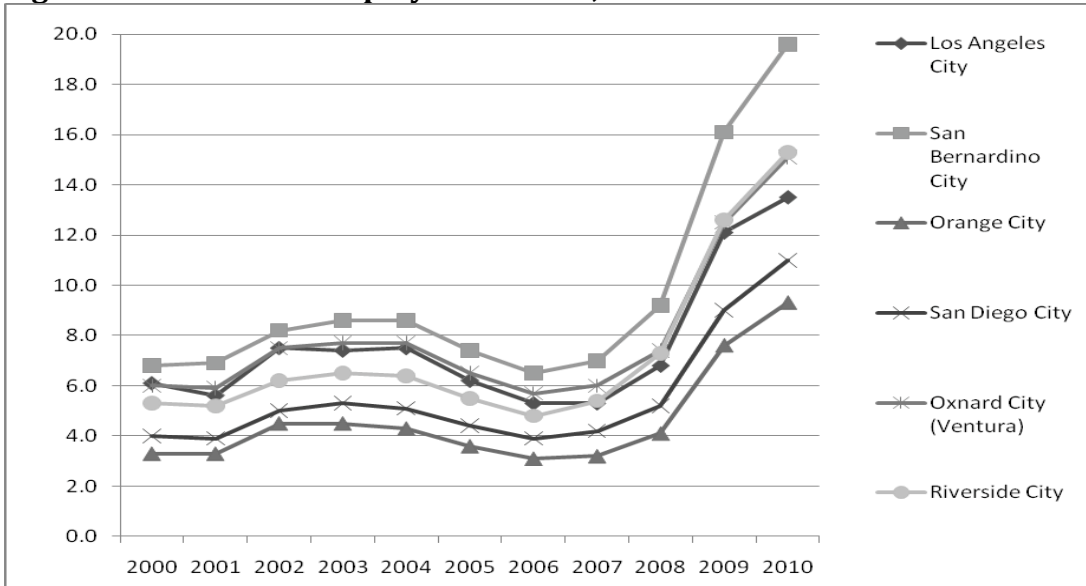
Table 4: Education Attainment by Race and Ethnicity in Six-Counties, 2000

Race/ Education	County					
	Los Angeles	Orange	Riverside	San Bernardino	San Diego	Ventura
White Alone						
High School Diploma	89.4	92.8	86.8	85.7	93.2	92.6
Bachelor's Degree	37.7	37.6	20.7	19.2	36.1	33.3
Graduate/ Professional Degree	14.6	13	7.6	7.2	13.9	12
Asian/Pacific Islander						
High School Diploma	82.2	81.2	82.5	84.4	81.4	87.8
Bachelor's Degree	42.4	40.9	36.7	42	36	46.3
Graduate/ Professional Degree	12.1	12.4	11	11.5	10.4	15.1
Latino						
High School Diploma	42.1	45.1	47.1	51.8	53.5	47.6
Bachelor's Degree	6.8	8.5	5.8	6.4	10.7	7.6
Graduate/ Professional Degree	2.3	2.8	2	2	3.7	2.5
African American						
High School Diploma	79.3	88.1	82.2	81.7	86.1	88.4
Bachelor's Degree	17.8	27.6	15.1	14.8	16.3	27.1
Graduate/ Professional Degree	5.5	9.5	5.1	4.5	5.5	8.5
Two or more Races						
High School Diploma	65	72.5	71.3	69.8	75.4	75.8
Bachelor's Degree	20.1	24.5	13.3	14.7	21.5	21
Graduate/ Professional Degree	6.8	8.6	4.6	5.2	6.8	7.4

Source: Center for Comparative Studies in Race and Ethnicity, Stanford University; 2000 Census

unemployment rate was 9%, or 1.4% higher than Orange (7.6%). The unemployment rate of Oxnard (Ventura) is generally found in the middle of the six cities. San Bernardino and Riverside both emerged with the highest unemployment rates in 2009, jumping significantly to 16.1% and 12.6%, 4% and .5% higher than Los Angeles.

Figure 6: LASANTI Unemployment Rates, 2000 to 2010⁴⁶



Source: Bureau of Labor Statistics

An Overview of Industry in Southern California

Manufacturing

In a 2007 report released by the LAEDC, a Southern California based economic development organization, Los Angeles County was identified as the nation's largest manufacturing center; and the state of California leads the way among all states in manufacturing employment. The national trend of a general decline in manufacturing has significant implications for the region, as LA County not only leads the way in manufacturing employment, but the entire LASANTI region represents the "third largest 'state' after California (1,505,000 jobs) and Texas (926,000 jobs)" with 911,000 manufacturing jobs. Among the other counties in the

⁴⁶ Unemployment rates for the labor force are from the Bureau of Labor Statistics (BLS) monthly unemployment rates and are not seasonally adjusted. The Figures are for the month of March in each of the years. March 2010 BLS unemployment rates for the labor force are preliminary figures.

region, Orange County ranked 18th, Riverside and San Bernardino ranked 16th, and San Diego was ranked 19th among top manufacturing centers.⁴⁷

The LASANTI region, the state of California, and the nation as a whole have experienced a significant decline in manufacturing since 1990. Though the LAEDC report indicates that several counties in the region experienced some growth in manufacturing in the late 1990s, since 2000 the region has experienced ongoing loss, with more than 3,000,000 manufacturing jobs lost across the nation, with several hundred thousand manufacturing jobs lost in the state. The one exception to this trend, prior to the recession, was Riverside/San Bernardino Counties (combined) that remained stable, and actually grew the manufacturing sector by 3000 jobs between 2005 and 2006.⁴⁸ However, this is an exception to the rule, as most of the LASANTI region has experienced a significant loss in the manufacturing industry overall. Data from the U.S. Census Bureau's 1997 and 2002 Economic Census illustrate industry growth in six major industries in Los Angeles County between 1997 and 2002. LA County job growth during this time period is representative of the trends in the other LASANTI counties, therefore one chart--Los Angeles County--is provided as an example. Between 1997 and 2002, Los Angeles County lost 91,363 manufacturing jobs, or 14.6% of the manufacturing jobs in the county. Four of the six counties lost manufacturing jobs, including San Diego County at 1,743 jobs or 1.5%, Ventura County, which lost 438 manufacturing jobs, and Orange County, which lost 17,767 manufacturing jobs between 1997 and 2002. As indicated above, both San Bernardino and Riverside Counties remained stable during this time, adding 2,117, and 8,291 manufacturing jobs, respectively.

The data indicate another trend in employment. Since 1997 (the year in which data is available), the region experienced significant growth in several sectors including retail, private education, and health care. Though retail has been hard hit in the recession (2007-2010), the retail sector showed significant growth between 1997 and 2002, when the LASANTI region gained 95,333 retail jobs, with LA County leading the way at 35,277 jobs gained between 1997 and 2002.

⁴⁷ J. Kyser, *Manufacturing in Southern California* (Los Angeles, CA: Los Angeles Economic Development Corporation, 2007), 2.

⁴⁸ Ibid.

Table 5:

Change in Employment by Sector, No. of Jobs: 1997 to 2002						
	<u>Manufacturing</u>	<u>Retail</u>	<u>Education</u>	<u>Health Care & Social Services</u>	<u>Professional, Scientific, and technical services</u>	<u>Wholesale Trade</u>
Los Angeles County	-91,363	35,277	6,799	213,797	126,415	8,998
Orange County	-17,767	16,767	2,343	49,749	29,896	2,493
Riverside	8,291	12,168	810	25,009	4,597	6,685
San Bernardino	2,117	5,989	958	34,764	4,932	6,849
San Diego	-1,743	19,341	1,878	65,675	41,557	4,468
Ventura	-438	5791	452	13,240	3,849	4,662

Data Source: US Census Bureau, 1997 and 2002 Economic Census

While all industry sectors have experienced significant loss during the last three years of the recession, two areas continue to grow despite the economic slowdown. While education and health care and social assistance sectors are the only sectors that have grown during the recession, both grew significantly prior to the recession as well. Between 1997 and 2002, the LASANTI region gained 13,240 education jobs and an even more substantial increase in the health care and social assistance sector, with more than 402,234 jobs gained between 1997 and 2002. Los Angeles County led the way, gaining 213,797 health care jobs, for a regional total of 472,705 jobs in the health care and social assistance sector in 2002.

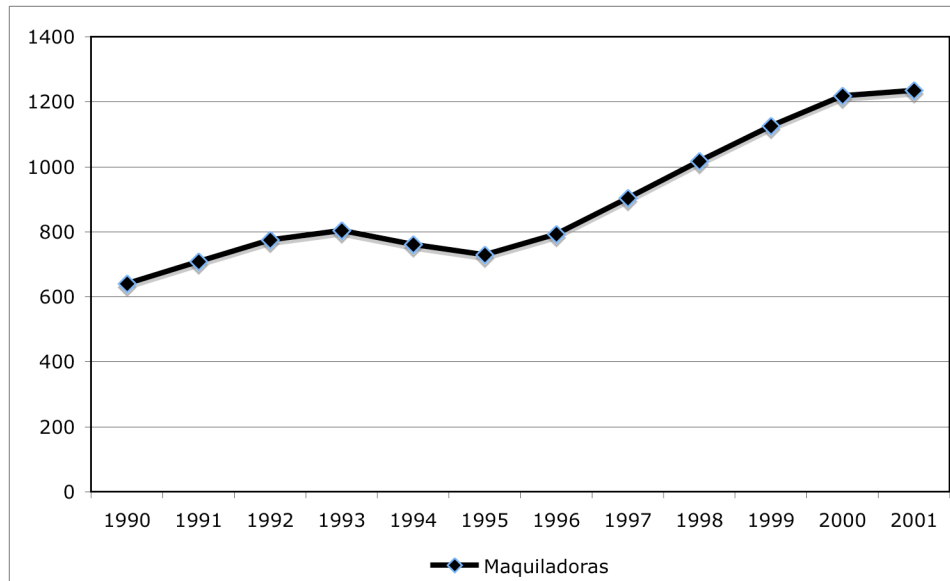
NAFTA and U.S.-Mexico Trade Relations. As discussed earlier, the LASANTI region, the state of California, and the nation as a whole have experienced a dramatic decline in manufacturing since 1990. At the same time, however, the Baja region in Mexico has experienced a gradual expansion in manufacturing since 1990. The United States and Mexico have strong and deep economic ties through the North American Free Trade Agreement (NAFTA), which came into force on January 1, 1994. The effects of NAFTA have been a source of intense debate, as it has put low-wage workers in the U.S. in direct competition with workers in Mexico. According to an Economic Policy Institute analysis of NAFTA, “workers’ share of the gains from rising productivity fell and the proportion of income and wealth going to those at the very top of the economic pyramid grew.”⁴⁹ Although Americans were promised that the agreement would create a large number of new good jobs, the opposite

⁴⁹ Jeff Faux, Carlos Salas, and Robert E. Scott, *Revisiting NAFTA: Still not Working for North America’s Workers* (Washington, DC: The Economic Policy Institute, September 28, 2006).

happened, where over a million jobs that would otherwise have been created were lost, and wages were pressured downward for a vast number of workers, particularly those with less than a college education.⁵⁰ NAFTA's perverse effect on the wage distribution and on the steadily declining demand for less educated workers is troubling, with California leading the way with the most net manufacturing job losses as a result of NAFTA.⁵¹

In terms of total trade, Mexico is the United States' third-largest trading partner (behind Canada and China), while the United States ranks first among trading partners for Mexico. Mexico's export oriented manufacturing plants are highly connected to U.S.-Mexico trade in various labor-intensive industries such as electronic goods, and automotive and software parts.⁵² Foreign owned manufacturing industries, or *maquiladoras*, account for a significant portion of Mexico's trade with the United States. The *maquiladoras* introduced a radical cost-saving alternative for rustbelt companies that otherwise might not have considered a move, and are often times only several freeway exits from the border, making business cheaper than operating an ocean away from the point of production. The U.S.-Mexico border region by far has the highest concentration of both the *maquiladora* assembly plants and Mexican workers. From 1990 to 2001, the number of *maquiladoras* dramatically expanded from 640 to 1,235. Figure 7 illustrates the trend in the number of *maquiladoras* during Baja's industrial boom.

Figure 7: Number of *Maquiladoras* in Baja California



⁵⁰ Ibid.

⁵¹ Robert E. Scott, *The High Price of 'Free'* (Washington, DC: The Economic Policy Institute, November 17, 2003).

⁵² M. Angeles Villarreal, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications* (Washington, DC: Congressional Research Service, March 31, 2010).

Source: Data from 1990 to 2001, Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación (National Council of the Maquiladora and Export Manufacturing)

Employment and Industry in “The Great Recession”

A Note about “The Great Recession”

According to the National Bureau of Economic Research (NBER),⁵³ the United States had been in a recession from December 2007 to June 2009. Throughout this section, the report will refer to the recent economic recession (2007-2009), as “The Great Recession.” This recession was particularly drastic in its effects, due to both the depth and length of destruction in the labor market. California has lost more jobs at a faster rate in the past two years than during any prior recession for which data is available.⁵⁴ According to a recent report released by the United Way of Greater Los Angeles (2010), “between 2008 and 2009 all job growth from the previous 9 years had been wiped out” in Los Angeles County.⁵⁵ It is important to note that the state of California is not the only state impacted by the economic slowdown, nor is the United States the only country grappling with economic stress. However, it is also essential to recognize that some countries and states will unequally bear the brunt of these tough economic times, and California is one of those regions. This is said to highlight the extreme importance of understanding the educational and employment opportunities available to the different groups in the Southern California area, and how those opportunities have been impacted by the recession. Most importantly, it is imperative to understand the nature of opportunity if we are to recover and emerge from this time a better and stronger region for all.

The California economy has been hit particularly hard during the recession as the problems that grew from mortgage and lending spread and continued to weaken the economy in 2009. In November 2009, the state of California reached an unemployment rate of 12.3%, more than 2% higher than the national unemployment rate (10%), and more than a 4% increase (8.3%) from November 2008.⁵⁶ Individual counties within the Southern California region boasted some of the highest unemployment rates in the nation: 11 of 17 metro areas reporting a jobless rate of at least 15% were located in the State of California.⁵⁷ Further, of 49

⁵³ September, 2010. Statement of the NBER Business Cycle Dating Committee on the Determination of the Dates of Turning Points in the U.S. Economy can be accessed on www.nber.org. The NBER uses a broad variety of statistical measures to define what it describes as a “significant decline” in economic activity – taking in output, incomes, payrolls and production. While many economists view this announcement as premature to conclude that the bottoming out is over, on September 20, 2010, the NBER determined that a trough in business activity occurred in the U.S. economy in June 2009, marking the end of the recession. The NBER committee decided that any future downturn of the economy would be a new recession and not a continuation of the recession that began in December 2007.

⁵⁴ California Budget Project. “In The Midst of The Great Recession: The State of Working California 2009”. Retrieved from http://www.cbp.org/pdfs/2009/090906_labor_day.pdf

⁵⁵ “LA County 10 Years Later: A Tale of Two Cities One Future,” *The United Way*, February 2010.

⁵⁶ “California Labor Market Review,” *Employment Development Department*, November 2009. Retrieved from <http://www.calmis.ca.gov/file/lfmonth/calmr.pdf>

⁵⁷ U.S. Department of Labor. Metropolitan Area Employment and Unemployment. (Bureau of Labor Statistics, SEPTEMBER 2010). Retrieved from <http://www.bls.gov/news.release/metro.nr0.htm>

metro areas with a population of at least 1-million, the Riverside-San Bernardino-Ontario area recorded the second highest unemployment rate in the nation, at 14.2%, second only to the Detroit Metropolitan area (15.3%).⁵⁸ The unemployment rate in each of the six counties recorded double-digit figures, with the exception of Orange County at 9.4%. As of November 2009, the unemployment rate for each county was as follows: Los Angeles County 12.2%, Ventura County at 11.1%, and San Diego County at 10.3%, for an average unemployment rate of 11.4% among the six counties, a 6% increase in the average unemployment rate since 2007, and an even more significant increase of 7.5% since 2000.

A More Comprehensive Measure: Understanding Underemployment

Many analysts wonder if the unemployment rate is the best measure of labor market distress, as it captures a narrow portion of those engaged in the workforce. Along with active job seekers, there are others affected by the downturn who go uncounted in the official rate. According to the Bureau of Labor Statistics (BLS), ***unemployment*** is defined as persons in the labor force who do not currently have a job but are actively looking for work, whereas ***underemployment*** includes not only individuals who are not currently employed and are actively seeking employment and have looked for work in the prior 4-weeks but also involuntary part-time workers and/or those “marginally attached workers” who want and are available for a job but are not actively looking.⁵⁹ Unfortunately, most organizations do not collect underemployment data, making it difficult to report on the true nature of the employment situation. It is our opinion that the underemployment rate is a more comprehensive and accurate measure of labor utilization. Though limited in ability to report underemployment data, a few organizations such as the Economic Policy Institute and the Los Angeles Economic Roundtable, reported this rate during the recession and prior to the economic downturn. For example, as of August 2011, the U-6 measure of underemployment for the state of California was 21.8%, the highest percentage from any state along with Nevada.⁶⁰ This figure is much higher than the official California unemployment rate of 12%. When examining the underemployment, the burden falls unevenly across the labor force and different segments of the population. The relationship between underemployment and educational attainment and certain racial groups is particularly striking.

⁵⁸ Ibid.

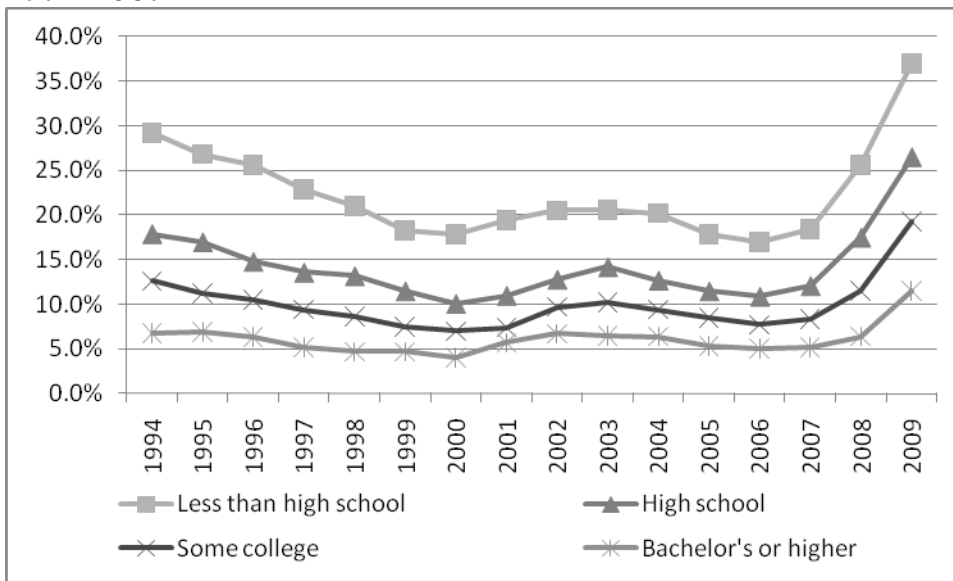
⁵⁹ U.S. Department of Labor. Local Area Unemployment Statistics. (Bureau of Labor Statistics, December 2010). Retrieved from <http://www.bls.gov/lau/stalt.htm>.

⁶⁰ BLS. Note: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule.

Education Pays

Data shows that educational levels are highly correlated not only to income levels and total life earnings,⁶¹ but to underemployment rates as well. The average rate of underemployment for those without high school diplomas rarely dips below 18% in even the best of times; for college graduates, the rate of unemployment hasn't risen above 12% in the worst of times. For individuals without a high school diploma, in only six years since 1994 have they seen underemployment rates below 20%. The data in figure 8 speak clearly; those with no college education, especially high school dropouts, are most vulnerable to mass layoffs during economic downturns and have significantly higher underemployment rates during the best economic times. While nearly all segments of society have seen increases in underemployment during The Great Recession, individuals with formal levels of education were less likely to lose their jobs. In California, for workers without a high school diploma, underemployment has skyrocketed almost 19 percentage points (18.6%) since 2007; for those with one, the rate jumped more than 14% (14.4%). Those with a bachelor's degree saw underemployment rates increase by 6.3%. The educated not only fare better during economic downturns, but are likely to be favored by future job growth as well. (For LA County, see appendix A, figure 4.)

Figure 8: Underemployment by California by Educational Attainment, 1994-2009⁶²



Source: Economic Policy Institute

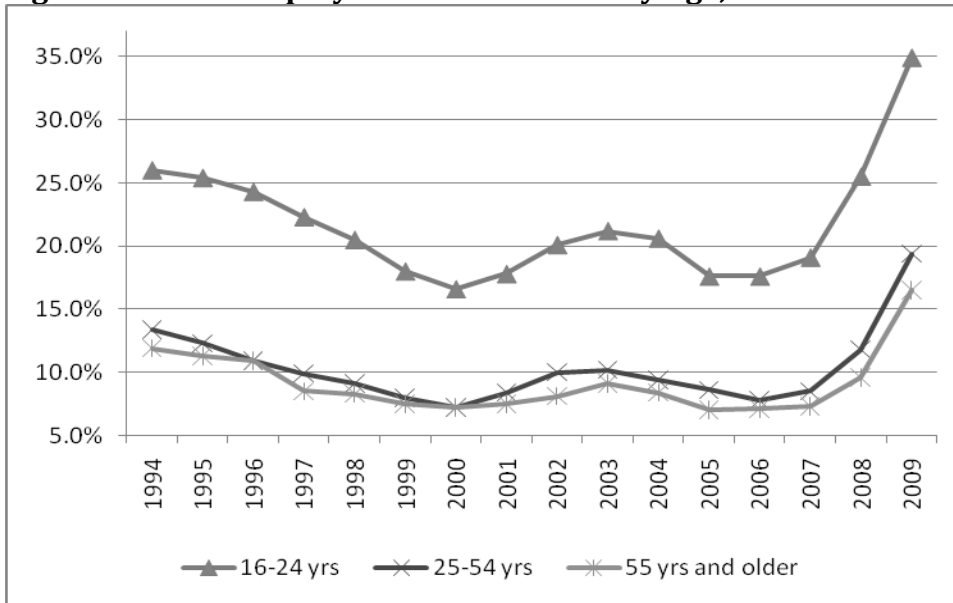
⁶¹ Jennifer Cheeseman and Eric C. Newburger, *The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings* (Washington, DC: U.S. Census Bureau Report, July 2002). Report states that over an adult's working life in the United States, high school graduates can expect to earn \$1.2 million on average; those with a bachelor's degree, \$2.1 million; and people with a master's degree, \$2.5 million.

⁶² Economic Policy Institute in-house analysis using CPS data. 1994, the Census redesigned the CPS and introduced computer-assisted interviewing techniques.

Young and Unemployed: Off the Charts

Since the start of The Great Recession in December 2007, young adults have attained the highest national unemployment rate on record (since 1948).⁶³ The data illustrated in figure 9 (below) express a troubling reality for California. For those aged 16-24 the effects of The Great Recession have been devastating, with an underemployment rate of 35%. Many of these young people have become idle, neither working nor in school. This reality is deeply alarming, as recent studies cited in *The Wall Street Journal* (October 3, 2009) have revealed, there are long-term career benefits to working as teenagers: those who do not work as teenagers have lower long-term wages and are more likely to lose their jobs even after 10 years. (See also appendix A, table 5.)

Figure 9: Underemployment in California by Age, 1994-2009⁶⁴



Source: Economic Policy Institute

The Widening Gap between Races

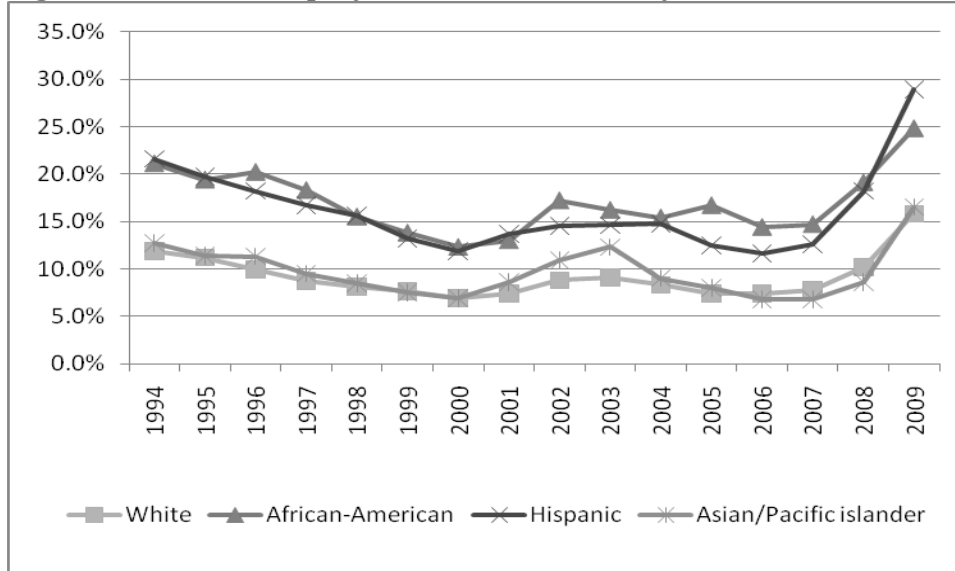
Disparities in unemployment rates when examining different racial subgroups were present before The Great Recession. The data below in figure 10 reveal that since

⁶³ Kathryn Anne Edwards and Alexander Hertel-Fernandez, *The Kids Aren't Alright—A Labor Market Analysis of Young Workers* (Washington, DC: The Economic Policy Institute, April 7, 2010).

⁶⁴ Economic Policy Institute in-house analysis using CPS data. 1994, the Census redesigned the CPS and introduced computer-assisted interviewing techniques.

1994 Hispanics and African Americans have seen higher levels of underemployment than whites and Asians. While all racial groups in California have been severely affected by the recession, the effects have been unequal. Hispanics have seen underemployment rates skyrocket to just under 29% (28.9), 16 percentage points higher than in 2007. African Americans have seen their rates increase to almost 25% (24.8), an increase of 10.1% since 2007. Whites have seen an increase of 8% in underemployment rates, while Asian groups have seen an increase of just under 10% (9.7%). Across California, the surge in underemployment has cut across all racial lines, yet it has intensified gaps the existed before the recession. For example, in 2007 Hispanics had an underemployment rate of 12.6%, while whites had a rate of 7.8%, a difference of 4.8%. However, in 2009 Hispanics saw underemployment reach 28.9, while whites saw underemployment increase to 15.8%, a difference of more than 13%. The widening of the employment gap between Hispanics/blacks and whites/Asians is sobering. (See appendix A, figure 3 for LA County.)

Figure 10: Underemployment in California by Race, 1994-2009⁶⁵



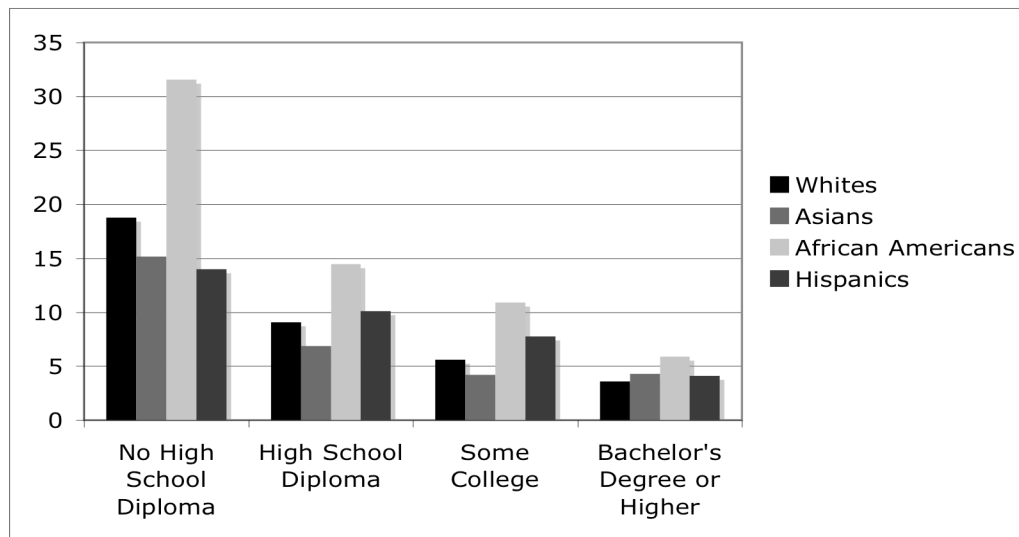
Source: Economic Policy Institute

As discussed earlier, college-educated individuals have the lowest unemployment and underemployment rates, and those without a high school diploma have the highest. Although racial gaps in employment are strikingly clear when examining the labor market by race, that racial stratification in the labor market is most intense amongst the least educated in California (figure 11). Looking at African Americans without a high-school diploma, unemployment is above 30% (31.6%), while for Hispanics the rate is the lowest at 14%. Whites without a high school

⁶⁵ Economic Policy Institute in-house analysis using CPS data. 1994, the Census redesigned the CPS and introduced computer-assisted interviewing techniques.

diploma had an unemployment rate of almost 19% (18.8%), while Asians had a rate of just above 15% (15.2%). As can be seen in figure 11 below, all race groups benefit from higher education. In California, as education levels increase, the racial gap in employment narrows. For whites with a bachelor's degree unemployment was at 3.6%, while for Hispanic groups the figure was 4.1%, followed by Asians with a rate of 4.3%, and African Americans with a rate of 5.9%. Today, in the twenty-first century, race still matters. A wide body of research has consistently shown that racial discrimination in the labor experience of African Americans is systematic, irrespective of their social class or educational position.⁶⁶ Moreover, racial disparities are visible in unemployment rates even when we compare racial subgroups with the same level of education. Thus, more needs to be done to ensure that nonwhites have equal employment opportunities in the labor market.

Figure 11: Underemployment in California by Race and Ethnicity 2007-2009⁶⁷



Source: The Population Reference Bureau

The Gender Role

In California from 1994 until 2007, underemployment rates were slightly higher for females than for males. Since 2007, The Great Recession has taken a huge toll on working families. The majority of jobs lost were lost by men, mainly because of the male concentration in both the construction and manufacturing industries, both of which have seen substantial declines since the beginning of The Great Recession. Nevertheless, in California, females lost a significant number of jobs during this

⁶⁶ Xavier de Souza Briggs, *The Geography of Opportunity* (Washington, DC: Brookings Institution Press, 48).

⁶⁷ Calculations done by The Population Reference Bureau using the Current Population Survey (Annual Social and Economic Supplement) from 2007-2009. These estimates are based on three-year averages so they don't reflect the most recent unemployment figures.

recession as well. While males have seen an increase of over 12 % (12.2%) in underemployment rates since 2007, females have seen an increase of 10 %age points. The underemployment rate does not in itself capture the significant impact the recession has had on women in California. The California Budget Project released a report on the impact of The Great Recession on women, stating that in 2009, California's single mothers were nearly twice as likely as married men and women – to be unemployed, and their average weekly hours of work declined more than at any point since 1990, diminishing their total earnings. On the other hand, married women have increasingly become the sole income earner for their families as their husbands lost their jobs.⁶⁸ (See appendix A, figure 2, for Underemployment in California by Gender, 1994-2009).

From a Stratified State to a More Stratified County

Although the entire Southern California region has been affected by the “Great Recession,” the effects have not fallen equally on everyone. Using an in-house analysis of the monthly current population survey (CPS), the Economic Roundtable, a nonprofit, public policy research organization, has released underemployment rates for sub-populations in Los Angeles County. Unfortunately, due to the limited availability of underemployment rates, this information is only reported for LA County. The sample size for the CPS is considerably smaller than the sample for the American Community (ACS) and decennial Census, and therefore cannot be accurately used for other Southern California counties. Nevertheless, the Southern California region, and in this case, Los Angeles County, specifically, has been hard hit in all areas across race, ethnicity, age, gender, and educational attainment. Tables 6 and 7 show that, as of November 2009, underemployment in Los Angeles County was more extreme than in the State of California as a whole, and also more specifically for the many sub-populations. The tables show that, since the beginning of The Great Recession, underemployed has more than doubled for each of the sub-populations. Underemployment for Latinos and African Americans is alarming, as the gap between these racial minorities and whites has drastically widened since December 2007. For Latinos, underemployment at the beginning of the downturn was 11.6%, and it now stands at over 30%, 63% greater than the underemployment for whites. For African Americans, underemployment has increased from 11.1% to 25.3%, 35% higher than for whites. For whites, underemployment has increased from 8.4% to 18.7%, a dramatic increase as well.

⁶⁸ The California Budget Project, How the Other Half Fared: The Impact of The Great Recession on Women. Retrieved from http://www.cbp.org/pdfs/2010/100511_womens_press_release.pdf

Table 6: Unemployment/Underemployment in California and Los Angeles County by Educational Attainment⁶⁹

Labor Force Educational Attainment		California				Los Angeles County			
		Unemployment		Under-employment		Unemployment		Under-employment	
		Dec-07	Nov-09	Dec-07	Nov-09	Dec-07	Nov-09	Dec-07	Nov-09
	BA Degree or higher	2.7%	6.2%	5.0%	11.0%	3.9%	7.5%	6.8%	13.0%
	Some College or AA Degree	3.9%	10.6%	7.2%	18.5%	4.9%	10.3%	8.3%	20.4%
	HS Graduate	6.2%	12.7%	10.9%	24.6%	4.8%	13.6%	8.8%	26.0%
	Less than HS Diploma	7.4%	16.4%	15.7%	34.4%	6.4%	12.1%	13.7%	33.5%
Total Labor Force		5.9%	12.2%	10.2%	21.8%	5.5%	12.2%	9.8%	24.4%

Source: Los Angeles Economic Roundtable

Table 7: Unemployment/Underemployment in California and Los Angeles County by Race/Ethnicity

Labor Force Race/Ethnicity		California				Los Angeles County			
		Unemployment		Under-employment		Unemployment		Under-employment	
		Dec-07	Nov-09	Dec-07	Nov-09	Dec-07	Nov-09	Dec-07	Nov-09
	Asian	5.0%	9.6%	7.8%	18.1%	3.8%	8.2%	6.5%	15.5%
	White	4.0%	10.2%	8.0%	16.8%	4.5%	11.8%	8.4%	18.7%
	Latino	7.1%	15.0%	13.4%	29.2%	5.7%	14.3%	11.6%	30.4%
	African American	10.6%	13.7%	14.2%	25.6%	7.8%	12.6%	11.1%	25.3%
Total Labor Force		5.9%	12.2%	10.2%	21.8%	5.5%	12.2%	9.8%	24.4%

Source: Los Angeles Economic Roundtable

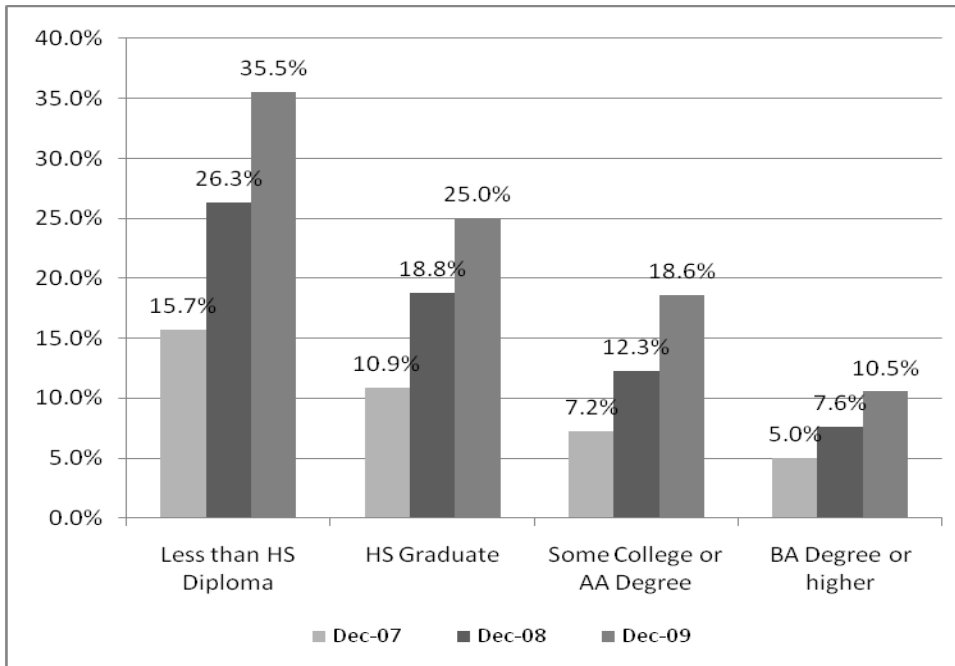
Large portions of African Americans and Latinos have been without jobs during The

⁶⁹ Unemployment (table 6 and 7) rates for the labor force are from the Bureau of Labor Statistics (BLS) and are not seasonally adjusted. November 2009 BLS unemployment rates for the labor force are preliminary figures. Unemployment and under-employment figures for subpopulations are derived from the Economic Roundtable's analysis of Current Population Survey (CPS) data and use a 3-month moving average. Unemployment and underemployment breakouts by educational attainment includes persons age 25 years or older.

Great Recession. Underemployment rates for Latinos and African Americans are more than 25%, which is 4% higher than the overall underemployment rates in Los Angeles County as of November 2009. The current recession has further compounded employment stratification across racial lines, as Latinos and African Americans are the most vulnerable racial and ethnic groups during the economic downturn.

Disproportionate underemployment outcomes become evident when examined by educational attainment. The underemployment data for LA County is particularly striking for those persons without any college education. For people without a high school diploma, underemployment has skyrocketed from 13.7% in December 2007, to 33.5% as of November 2009. For persons with a high school diploma, underemployment has increased from 8.8% to 26% during the same time period. For those that have some college or an associate’s degree have seen an increase from 8.3% to 20.4%. Lastly, those with a BA degree or higher have seen an increase from 6.8% to 13%. Figure 12 clearly expresses the distinct stratification of underemployment by levels of education in the state of California as a whole.

Figure 12: Underemployment by Educational Attainment in California, December 2007 - December 2009



Source: Los Angeles Economic Roundtable

Educational Attainment: A Central Determinant

The impact of The Great Recession has been felt by all segments of the workforce,

from the least educated to the most educated workers. Nevertheless, educated people were less likely to lose their jobs during The Great Recession. The large proportion of less educated workers who are unemployed and underemployed during this economic downturn is sobering. Table 8 below shows that from December 2007 until November 2009, underemployment for those without a high school diploma has gone up by 145%, much higher than the same population in California. For those with a high school diploma, underemployment has shot up 195% during this same time period. Less-educated workers are a majority of the labor force in LA County's service sector, construction and maintenance occupations, and production and transportation occupations, and close to a majority throughout California. Although these occupations are essential in the day-to-day functions and sustainability of regional economy, the less educated are the most vulnerable to labor market dislocation during periods of economic downturn.⁷⁰

Table 8: Change in Underemployment Rates by Educational Attainment of Labor Force, Los Angeles and California

	Dec 2007-Nov 2009	Dec 2007-Nov 2009
	California	Los Angeles County
Less than a High School Diploma	+89%	+145%
High School Diploma	+183%	+195%
Some College or AA Degree	+110%	+145%
B.A. Degree or Higher	+92%	+91%

Source: The Los Angeles Economic Roundtable

As noted earlier, the findings of this research indicate that the underemployment rate for those without a post-secondary level of education, as well as Latinos and African Americans, is sobering. These extraordinary high rates of labor underutilization among these groups of people would have to be classified as symbolic of a True Great Depression, while white workers and those with higher levels of formal education are experiencing underemployment rates that are representative of a severe recession.

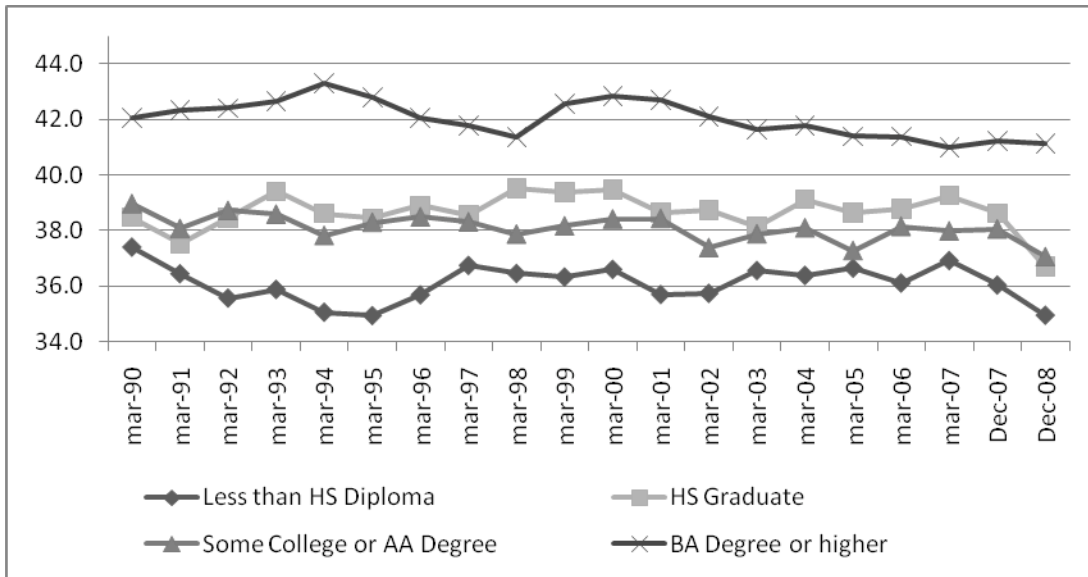
Average work week and educational attainment. The Average hours worked has decreased overall in the State of California.⁷¹ However, when examining the breakdown of average weekly hours worked by different groups of workers, the

⁷⁰ Daniel Flaming, Michael Matsunaga, Patrick Burns *Ebbing Tides of the Golden State*. (Los Angeles: The Economic Roundtable, February 2009).

⁷¹ California Budget Project. In the Midst of The Great Recession: The State of Working California in 2009. Retrieved from http://www.cbp.org/pdfs/2009/090906_labor_day.pdf

contrasting outcomes across the workforce are made clear. Graph 13 shows the average hours worked in LA County since 1990 by educational attainment. It shows that the trend in LA County has been: the higher the formal education of the worker, the higher the average of weekly hours worked. What has stayed consistent is the decline of work hours in the first year of The Great Recession for those persons without a BA degree, particularly for persons without a high school diploma, and for those with a high school diploma. In contrast, the average workweek for the most educated workers remained relatively stable during the first year of The Great Recession.

Figure 13: Average Hours Worked per Week, by Educational Attainment in California 1990-2008



Source: Los Angeles Economic Roundtable

This trend is deeply alarming, as not only are the least educated workers more likely to be unemployed or lose their job than other segments of workers, but they also average the shortest workweek and experience the greatest decline in work hours during economic downturns. The breakdown of employment outcomes and average workweek clearly shows the vulnerability of specific sub-populations to complete employment dislocation or marginalization within the labor force. The destructive outcomes of recessions and loss of jobs are potentially devastating, particularly for groups of people most vulnerable--that is, certain minority groups and those with low-levels of formal education.

Industries in The Great Recession: Winners and Losers

Since the financial crisis hit in 2007, each county in the Southern California region has had a unique industry story, as some sectors and some counties have been hit

harder than others. However, there is also a common trend: the biggest industry “losers” among each of the six counties are construction, manufacturing, and retail trade, with the exception of Orange County, whose Finance and Insurance sector led the way for that county with a loss of 16.9% in 2009. It is important to note, again, that although manufacturing has declined significantly during the recession, it had been experiencing considerable loss prior to the recession, as the economy shifted away from the industry. On another note, however, the health and private education sectors have continued to grow throughout the state and in the LASANTI region. For example, health and education--the only industry to grow in the state between November 2008 and 2009--grew by 1.1%, or 18,900 jobs in the state of California. In contrast, construction, one of the hardest hit industries, lost more than 118,000 jobs, declining by 16.1% throughout the state.⁷²

The industries that have been experiencing the most loss during the recession-- construction, manufacturing, and retail trade, have experienced a decline of 14.42%, 14.9%, and 12.02%, respectively, among the six counties. It is important to note that Riverside and San Bernardino are combined and account for one county in these calculations. While nearly all counties have experienced double digit losses in these three sectors (as indicated in Table 9 below), Ventura County served as the outlier with a substantially smaller job loss than the other counties, with an annual loss of 2.9% in construction, 2.6% in manufacturing, and 2.7% in retail trade in 2009. Los Angeles County, on the other hand, experienced tremendous loss in each of these sectors, with a decline of 38.8% in manufacturing, 25.1% in retail, and 20.1% in construction. Orange County has experienced slightly less loss in manufacturing and retail trade than the other counties; however, Orange County has experienced a major decline in its Financial and Insurance sector, with a loss of 16.9% over the last year. San Diego County fared slightly better than the others, with a loss in manufacturing and retail trade of 6.5% and 8.0%, respectively.

Table 9: Industry Growth by County, 2009

	Industry Growth By County, 2009				
	<u>Construction</u>	<u>Manufacturing</u>	<u>Retail Trade</u>	<u>Health</u>	<u>Private Education</u>
Los Angeles County	-20.10%	-38.80%	-25.10%	8.7%	7.9%
Orange County	-15.80%	-9.90%	-8.80%	2.4%	0.2%
Riverside/San Bernardino	-20.10%	-17.00%	-15.50%	2.6%	1.4%
San Diego	-13.20%	-6.50%	-8.00%	2.5%	1.4%
Ventura	-2.90%	-2.60%	-2.70%	0.5%	0.0%

⁷² *California Labor Market Review*, California: California Employment Development Department, November 2009). Retrieved from <http://www.calmis.ca.gov/file/lfmonth/calmr.pdf>

Source: Los Angeles Economic Development Corporation, 2009-2010 Mid-Year Forecast

Finally, though the Riverside-San Bernardino area has experienced less loss than LA County, the LAEDC reports that this county will “experience a longer and deeper recession than the rest of Southern California,” attributed to a surge in foreclosures and plummeting home values.⁷³

As a majority of the job loss in each of the counties during this recession has been concentrated in construction and manufacturing, these industries require special attention.

Construction: From boom to bust. As discussed earlier, speculative building of residential units was the basis of last decade’s economic boom in California, until the housing market collapsed in the state. The troubled housing market led to a deep decline in construction employment during the recession, though jobs in the construction industry have been in steady decline since 2004-2005, as indicated by the declining number of residential and commercial building permits issued.⁷⁴ During this time of economic slowdown, construction in the Southern California region has been the hardest hit both across the state, and specifically in the LASANTI region. With the exception of the manufacturing industry in Los Angeles County that experienced a decline of 38.80%, construction experienced the highest (double-digit) declines. This was the case in all counties, except Ventura County, which experienced both limited industry loss and gain during this time period. Excluding Ventura County, the region has experienced an average decline of 17.3% in the construction sector overall.

The depressed construction industry is particularly alarming as it employs a large number of Latinos. According to a report released by the Economic roundtable, “*Concentrated Poverty in Los Angeles*,” individuals employed in the construction industry tend to live in areas of concentrated poverty. These are areas in Los Angeles County where at least 40% of the residents live below the poverty line (according to the Census). The ethnic make-up of the construction workers in neighborhoods of concentrated poverty are: 88% Latino, 4% Black, 4% Asian, and whites make up 3% of construction workers living in these neighborhoods.⁷⁵ The immense majority of those that work in the construction industry in Los Angeles County are Latino, and many of them come from neighborhoods of concentrated poverty. The collapse of the industry has major social implications for these neighborhoods, as over 59% of construction workers in Los Angeles neighborhoods

⁷³ Ibid., 41.

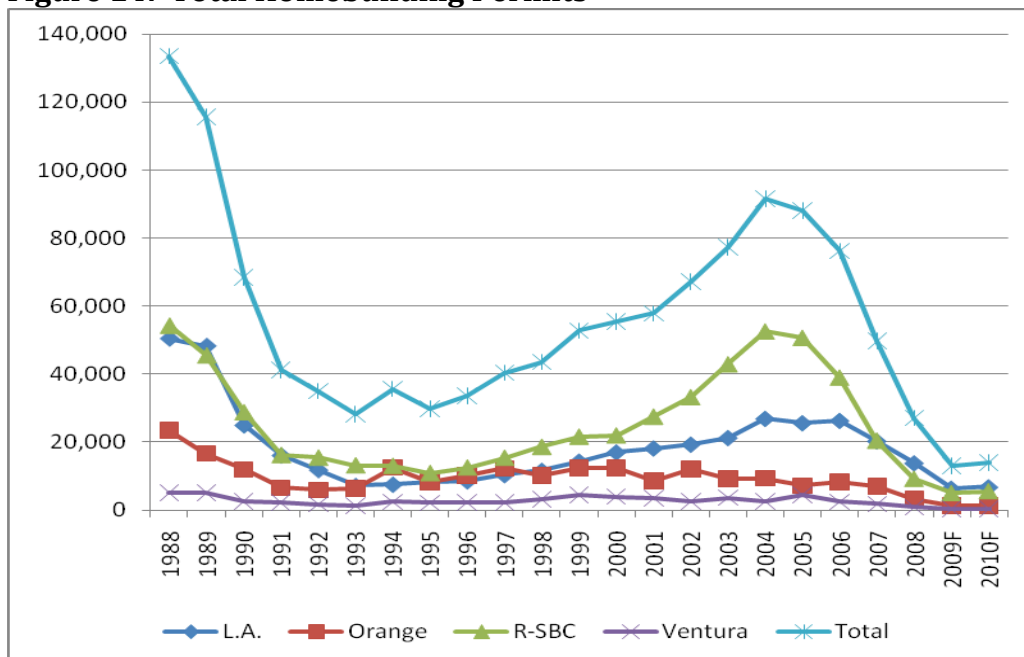
⁷⁴ Construction Research Industry Board. Retrieved from https://www.agentmac.com/website/cities_data.php

⁷⁵ Michael Matsunaga, *Concentrated Poverty in Los Angeles* (Los Angeles: The Economic Roundtable, February 2008).

of concentrated poverty, do not have a HS Diploma.⁷⁶ One can only assume that it will be very difficult for displaced construction workers to find employment that requires a formal education. The construction industry has always been a sector where the lack of English language is common for many of the workers, making it difficult to make adjustments across industries.

As discussed earlier, the construction industry has been in steady decline since 2004-2005. However, since The Great Recession, the story of Southern California's housing market was one of accelerated deterioration as the fallout from the sub-prime crisis of 2007 gave way to the financial crisis of 2008-2009 and the worst national recession since the Great Depression. Since all home building and remodeling works require advance building permits, housing activity can be monitored by looking at the number of building permits issued within a period of time (usually monthly or annually). Homebuilding permits in the LASANTI region have been in decline since 2004 as illustrated in figure 14. In the Los Angeles five county region during 2008, a total of 27,067 new residential construction permits were issued, a decline of 46% compared with 2007 and down by 70% from 2000.

Figure 14: Total Homebuilding Permits



Source: Construction Industry Research Board

In Los Angeles County, total residential construction dropped to 13,886 units in 2008, a decline of 32% from the prior year and down by 48% from 2004. During the

⁷⁶ Ibid.

first five months of 2009, the number of permits issued for new homes was down by 55% compared with the same time period in 2008.⁷⁷ Only 5,610 total permits were issued in Los Angeles County in 2009, a severe decline from pre-recession levels. According to a LAEDC report, the County has a “large oversupply of apartments and condos to deal with before any significant recovery in homebuilding can get started.”⁷⁸

San Bernardino-Riverside County: The growth engine is now gone. San Bernardino-Riverside County has suffered mightily from the Great Recession. As can be seen in figure 14, of total building permits issued, beginning in 2000, San Bernardino-Riverside County began experiencing an unprecedented housing boom. At the peak of the housing market in 2006, the construction industry employed more than 10% of the Inland Empire's labor force. The collapse of the construction industry is the reason the area has one of the highest unemployment rates in the nation, second only to the Detroit Metro-Area.⁷⁹

In 2009, a report by the *Inland Empire Outlook*, a newsletter analyzing economic and political trends in the region, stated that since the region has been hit by the sub-prime mortgage crisis and its aftermath with such severity, some economists suggest that not only has the area not hit bottom yet, but also unemployment levels in the Inland Empire might not return to normalcy for possibly a decade.⁸⁰ This analysis is alarming, as the Inland Empire's return to full employment will require a fundamental structural adjustment in the region's economic base, particularly since jobs in the construction industry will return slowly if at all. According to the LAEDC, housing activity in Riverside-San Bernardino will continue to contract throughout 2011 and into 2012, due to a persistently high level of mortgage foreclosures.⁸¹ Figure 15 illustrates the deep employment hole caused by the housing collapse in this metro area.

As mentioned earlier, Latinos, including many immigrants, are heavily represented in the construction industry in California and region. Although economic data does not single out the recession's effects on immigrants, construction employment has dropped by 20.5% in 2009, by far the hardest hit industry in the San Bernardino-Riverside area.⁸² Recent research has found that from 2000 to 2007, the number of immigrants in San Bernardino-Riverside area grew 55%, from 490,946 to 761,629. In contrast, although being far larger at 3.5 million, the immigrant population in the

⁷⁷ Los Angeles County Economic Development Corporation, *Mid-year Economic Forecast and Industry Outlook*, July 2009.

⁷⁸ Los Angeles County Economic Development Corporation, *Mid-year Economic Forecast and Industry Outlook*, February 2010.

⁷⁹ “Unemployment in The Great Recession” *Inland Empire Outlook Economic Analysis*, November 26, 2009.

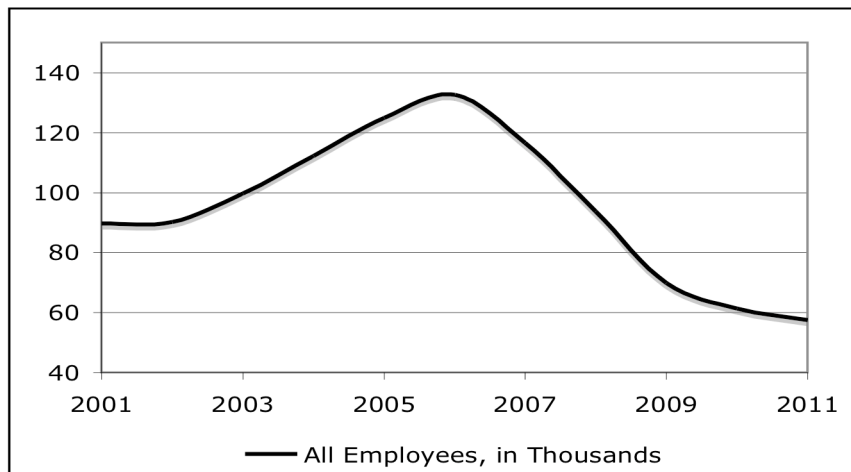
⁸⁰ *Ibid.*

⁸¹ Los Angeles County Economic Development Corporation, *Mid-year Economic Forecast and Industry Outlook*, July 2011.

⁸² *Ibid.*

Los Angeles-Long Beach area only grew by just 161,000, or 4.6%, during the same period.⁸³ As hundreds of thousands of immigrants flocked to the region chasing mainly construction and service jobs and the chance to own a home in Riverside and San Bernardino counties, the region's Latino population skyrocketed; and as a result the metropolitan region had seen the largest increase in Latino population in the nation during the last decade, according to a study released by the Brookings

Figure 15: Total Employees, in Thousands⁸⁴



Source: Bureau of Labor Statistics

Institute.⁸⁵ Latinos were about 25% of Riverside County's population according to 1990 census data, for example, and by 2007, the number had skyrocketed to 43%.⁸⁶ Immigrants and Latinos who have lost jobs from the depressed construction industry will certainly find it difficult to land new jobs, because many lack formal education and English skills.

Decline of Manufacturing: The Swift Acceleration. As discussed before, though the manufacturing sector has been hard hit during the recession, there has been a general decline in this industry for the past several decades. With Los Angeles and San Bernardino-Riverside Counties reporting double-digit loss in this sector in 2009, -38.8 % and -17 %, respectively, the impact is widely felt. Of particular concern is the large number of African Americans employed in the manufacturing

⁸³ Anna Gorman and Rich Connell, "Latinos Who Flocked to the Once-Burgeoning Inland Empire are Hard-Hit in Economic Downturn," *The Los Angeles Times*, August 02, 2009.

⁸⁴ Data is for Riverside-San Bernardino-Riverside, CA. Employment data for the labor force are from the Bureau of Labor Statistics (BLS) monthly data are not seasonally adjusted. The Figures are for the month of June in each of the years. June 2011 BLS data for the labor force are preliminary figures.

⁸⁵ The Brookings Institute, *Metropolitan Demographics: A Decade on the Front Lines of Change* (Washington, DC: The Brookings Institute, March 2006)

⁸⁶ Shelby Grad, "Inland Empire Had Nation's Largest Influx of Latinos in Last Decade, Study Finds," *Los Angeles Times*, May 9, 2010.

sector. According to a report published by the UC Berkeley Labor Center, three sectors, “manufacturing, retail trade, health care and social assistance employ approximately 40% of all Black workers.”⁸⁷ Both manufacturing and retail have experienced tremendous loss in Southern California. As with construction, there are concerns about what will happen to displaced workers who may be poorly suited to transfer to growing fields such as education and health care.

Manufacturing employment has been in decline for several decades representing a structural shift in the economy that has been taking place since the 1970s, at least. Both San Diego and Orange County have seen a slide of manufacturing employment in 2009 of 9.8% and 10%, respectively. The acceleration of manufacturing job losses is continuing to take place as companies have used the downturn to aggressively make cuts they had been reluctant to make before. During The Great Recession outsourcing abroad has increased dramatically. As Robert Reich, former secretary of labor under President Clinton said in a recent article published by the *Wall Street Journal*, “Companies have discovered that new software and computer technologies have made many workers in Asia and Latin America almost as productive as Americans, and that the Internet allows far more work to be efficiently moved to another country without loss of control.”⁸⁸ The likelihood, therefore, is that many jobs that have been outsourced during the recession will never return.

Since The Great Recession began at the end of 2007, industry growth has been negatively impacted in nearly all sectors across the State of California and in the Southern California region in particular. The industry loss is widespread and a contributing factor as to why this is one of the largest economic downturns since The Great Depression. “The Federal Reserve’s readings show that 86% of industries have cut back production since November [2008], the most widespread reduction in the 42 years the Fed has tracked this figure.”⁸⁹ According to the Los Angeles Economic Development Corporation (LAEDC), “problems that originated in housing and mortgage finance spread to the rest of the economy, leaving very few industries [in California] untouched.”⁹⁰ In this same report, the LAEDC finds that all thirteen metro areas in California have seen significant employment declines⁹¹ over the last several years.

Maquiladora Bust. From 2001 to 2002, the maquiladora industry suffered the worst economic downturn in its history, mainly because of the 2001 recession and

⁸⁷ Steven C. Pitts, UC Berkeley Labor Center, *Job Quality and Black Workers* (California: UC Berkeley Labor Center, May 2008, 23)

⁸⁸ Robert Reich, “The Jobs Picture Still Looks Bleak,” *The Wall Street Journal*, April 12, 2010.

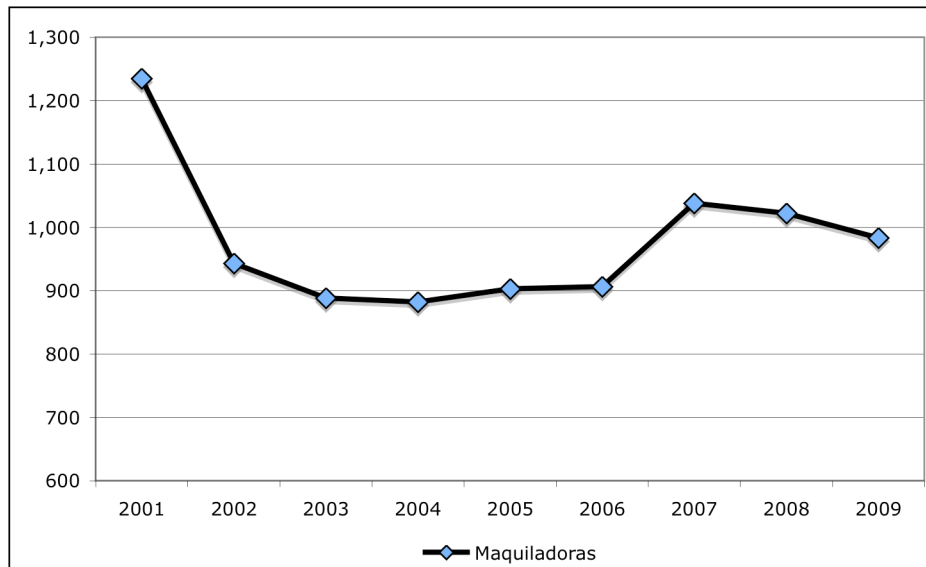
⁸⁹ C. Isidore, “The Great Recession,” *CNN Money*, 25 March 2009, <http://money.cnn.com/2009/03/25/news/economy/depression_comparisons/index.htm>

⁹⁰ Los Angeles County Economic Development Corporation, *Mid-year Economic Forecast and Industry Outlook*, July 2009, 18.

⁹¹ *Ibid.* 22.

China's entry into the World Trade Organization. In the Baja region of Mexico, the number of maquiladoras went from 1,235 in 2001 to 943 in 2002, a 24% decrease⁹². As illustrated in figure 15, the downturn continued through 2004, until the number of maquiladoras finally began to increase in 2005.

Figure 16: Number of Maquiladoras 2001-2009



Source: Data from 2001 to 2006, Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación. Data from 2007 to 2009, INEGI, Estadística Mensual del Programa de la Industria Manufacturera, Maquiladora y de Servicios de Exportación (National Council of the Maquiladora and Export Manufacturing).

Mexico's dependency on the U.S. economy is made clear by the fact that over 80% of its exports are destined for the United States.⁹³ As a result, any change in U.S. demand for Mexico's manufactured goods can have strong economic consequences throughout the country's industrial sectors. The recent recession in the global economy has caused a decline in U.S.-Mexico manufacturing trade. According to Instituto Nacional de Estadística y Geografía (The National Institute of Statistics and Geography or INEGI) data, the number of maquiladoras went down from 1,038 in December of 2007 to 983 in November of 2009, an indicator that The Great Recession has impacted Mexico's manufacturing industry.⁹⁴

When examining the decline of maquiladora operations throughout the Baja Region, INEGI data illustrate that the greatest absolute change from 2007 to 2009, four-

⁹² Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación, CNIMME (2010), Establecimientos en Activo por Entidad Federativa. <http://www.cnime.org.mx/>

⁹³ M. Angeles Villarreal, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications* (Washington, DC: Congressional Research Service, March 31, 2010).

⁹⁴ INEGI, Estadística Mensual del Programa de la Industria Manufacturera, Maquiladora y de Servicios de Exportación.

fifths of the total change, was registered in the Municipality of Tijuana. Figure 16 (below) shows that the maquiladoras declined by seven percentage points during the recession, while the other municipalities in Baja saw a decline ranging from 1 to 5 percentage points. The bust of the industry could mean that hundreds of thousands of Mexican citizens will continue to risk their lives crossing the border to the United States seeking job opportunity, as NAFTA and the maquiladoras do not deliver on promises made to Mexican workers.⁹⁵

Figure 16: Number of Maquiladoras in Baja California, by Municipality⁹⁶

	2007	2008	2009	2007-2009 Absolute Change	2007-2009 Percentage Change
Total	1,038	1,022	983	-55	-5%
Ensenada	105	100	100	-5	-5%
Mexicali	167	165	162	-5	-3%
Tecate	135	135	134	-1	-1%
Tijuana	631	622	587	-44	-7%

Source: INEGI, Estadística Mensual del Programa de la Industria Manufacturera, Maquiladora y de Servicios de Exportación (Monthly Statistics Program of the Manufacturing, Maquiladora and Export Services)

Regional Fortunes: Inland and Coastal Divide. Thus far this analysis has examined the labor market dynamics at the county level in the Southern California Region. Stepping back, a growing geographical divide within these six counties and within the state, isolating labor market prospects of those living inland from those on the coast, is seen. According to a report released by The California Budget Project (CBP), from 1990-2005 California's jobs dramatically shifted inland, largely reflecting demographic shifts of the population. The number of jobs in inland counties increased by almost 46% between 1990 and 2005, almost five times the increase in jobs in coastal counties.⁹⁷ During this 15-year time period, California's Inland counties contributed to more than half (54.4 %) of the state's job growth, although just one in five California jobs (19.9 %) was located inland in 1990. According to the CBP, "more than half of the state's job growth in trade, transportation, and utilities (62.5 %); public administration (58.2 %); and natural resources, mining, and construction (52.0%) took place in inland counties." Although California has lost hundreds of thousands of manufacturing jobs in recent decades, during this 15 year time period, the inland counties saw dramatic increases

⁹⁵ Ibid.

⁹⁶ 2007 and 2008 data corresponds to December; 2009, to November.

⁹⁷ The California Budget Project. In The Midst of the Great Recession. Retrieved from http://www.cbp.org/pdfs/2009/090906_labor_day.pdf

in the number of manufacturing jobs of nearly 50,000 (19.4 %), reaching a total of more than 300,000 jobs by 2005. In contrast, manufacturing jobs dramatically declined in coastal counties, with the disappearance of close to half a million jobs (30%) during the same period. The greatest gains in inland manufacturing jobs were seen in San Bernardino County, which added 23,500 jobs (53.6%), and in Riverside County, which added 18,400 jobs (55.3%).⁹⁸

Both San Bernardino and Riverside counties were particularly hard hit during The Great Recession as they experienced dramatic declines in manufacturing, construction, and retail. With the collapse of many of the sectors that flourished in inland counties, many forecast that while the coastal areas begin to recover, the inland counties are likely to be in a rut for sometime, which is likely to lead to greater inequality between residents.⁹⁹ Now that the center for economic activity, construction, has collapsed, one has to wonder about the future prospects of the inland regions. The Center for the Continuing Study of California projects that new industry in California will primarily develop in the coastal regions. That is, technological innovation, foreign trade, and high-tech Internet-based industries are primarily coastal region economic engines.¹⁰⁰ The inland-coastal divide in the state is likely to have significant racial, demographic, and social consequences, as our national ideals will surely be put to test.

The Plague of Long-term Unemployment: The Job Poor Desert. The nation faces an unprecedented number of long-term unemployed, the most severe form of unemployment.¹⁰¹ In July 2011 the number had reached 6.2 million; 44.4% of unemployed persons had been jobless for 27 weeks or more, the highest number since data began to be collected in 1948.¹⁰² Beyond the obvious human toll such as personal, financial and health care hardships, as well as the loss of their unemployment insurance benefits, the long-term unemployed not only take longer to find work, but their skills and job networks erode, and employers tend to either be skeptical of gaps in their resumes, or of their work ethic. Long-term unemployment has devastated older men in particular, as the number of long-term unemployed men increases progressively with age.¹⁰³ In California, from January 2009 to January 2010, long-term unemployment jumped a striking 148%. The long-term unemployed are now the largest group of the California's jobless, totaling 36.4% of all those unemployed.¹⁰⁴ According to a study released by the Brookings Institution and reported in *The Economist* (May 1, 2010), the unprecedented

⁹⁸ Ibid.

⁹⁹ Cari Tuna, "California's Divided Fortunes," *The Wall Street Journal*, Real Estate, February 2, 2010.

¹⁰⁰ The Center for the Continuing Study of California, *The Future of the California Economy is on the Coast*, February 2007.

¹⁰¹ Those jobless for 27 weeks and over.

¹⁰² U.S. Department of Labor. Employment Situation Summary. (Bureau of Labor Statistics, July, 2011). Retrieved from <http://www.bls.gov/news.release/empsit.nr0.htm>.

¹⁰³ Andrea Orr, *Older Men Face Longer Job Searches* (Washington, DC: Economic Policy Institute, June 17, 2010).

¹⁰⁴ Mary Ann Milbourn, "Calif. Long-Term Jobless Jumps 148%," *The Orange County Register*, March 17, 2010.

number of long-term unemployed could cause a labor market recovery to take twice as long as the recovery after the 1982 recession, an unpleasant prospect.

A 2010 study by the John J. Heldrich Center for Workforce Development at Rutgers University, documented the host of social and psychological ailments that too often accompany severe economic shocks. Among those that have been unemployed for at least seven months: 63 percent were suffering from sleep loss, 52 percent said relationships with family members have become strained, 46 percent have experienced a loss of contact with friends, and 14 percent had developed a substance dependency.¹⁰⁵ As jobs remain scarce, many more will people will experience this growing isolation and withdrawal from mainstream society.

Unemployment benefits have not only been a lifeline to the long-term unemployed in this recession, but also a valuable fiscal stimulus which puts money back into the economy and helps create jobs during recessions. Currently, Congress has extended unemployment benefits in California for up to a maximum of 99 weeks.¹⁰⁶ Yet in the months ahead, millions throughout the nation and state will exhaust their unemployment benefits as unemployment insurance extensions are set to phase out after 99 weeks. This is not only a devastating prospect for many American families but also limits the possibility of a sustained economic recovery as consumer demand is dampened because of less spending. Till von Wachter, an economist at Columbia University, has shown evidence that providing unemployment insurance helps keep jobless workers in the labor force, dramatically improving the likelihood of them returning to work once the job market improves. In contrast, many discouraged workers who lose unemployment benefits apply for permanent Social Security disability, food stamps, and often Medicare benefits as well, for a lifetime, without ever reentering the labor force or paying taxes. Therefore, according to von Wacher, providing and extending unemployment benefits are the fiscally responsible thing to do.¹⁰⁷

The Trend Looks Bleak

With tax revenue declining as a result of the economic downturn and budget reserves largely exhausted, California has made spending cuts that have dramatically affected families through reduced necessary services. These cuts, in turn, have exacerbated the state's economic woes because families and businesses have less to spend, dampening the recovery by reducing overall economic activity. When states cut spending, mass layoffs and hiring freezes take place, contracts with

¹⁰⁵ Debbie Borie-Holtz, Carl Van Horn, and Cliff Zukin, "No End in Sight: The Agony of Prolonged Unemployment" (Rutgers University, May 2010).

¹⁰⁶ Employment Development Department (EDD). Federal Unemployment Extensions. Retrieved from http://www.edd.ca.gov/unemployment/Federal_Unemployment_Insurance_Extensions.htm

¹⁰⁷ Andrea Orr, *Extending Unemployment Insurance Is the Fiscally Responsible Thing to Do* (Washington DC: Economic Policy Institute, May 28, 2010).

vendors are canceled, payments to business and nonprofits that provide services to local communities are reduced, and benefit payments are cut to individuals. These steps remove demand from the economy, creating a vicious cycle that slows and depresses the recovery.¹⁰⁸

Given how many Californians are currently unemployed or underemployed, it's difficult to see where we will get sufficient demand to support a sustained economic recovery. According to the UCLA Anderson Economic forecast for California, the state will continue to see a high rate of unemployment, coupled with ongoing paralysis in the job market, with a continued depressed construction industry throughout 2012, at least. Overall levels of consumption will remain sluggish, as consumer confidence is predicted to increase only slightly in the coming year.¹⁰⁹ Complicating matters is the long-term implications of those who have been laid off during the recession. According to a working paper by several economists at Columbia University who tracked the long-term earnings of those who lost their jobs in the recession of 1982, it was found that, on average, most workers who lost their jobs did not recover their former earning power. Even 15 to 20 years later, most workers did not return to their old income levels. On average, workers' earnings ranged from 15% to 20% less than they would have been had they not lost their jobs.¹¹⁰

Construction. Permits were issued to build 44,601 new homes, apartments, condominiums and townhouses statewide in 2010, up 23 percent from 2009, but down 31 percent from 2008, which had held the distinction for the second-lowest total on record with 64,962 permits issued. Records began being kept in the state in 1954 with the lowest annual total set in 2009 with 36,421 permits issued.¹¹¹

Construction employment in California will not start adding a significant number of building permits until 2013, according to forecasters, which is one of the reasons the state's unemployment rate is likely to stay above 10% until the middle of that year. Construction employment won't reach pre-recession levels until at least 2021.¹¹²

Manufacturing. The manufacturing industry, heightened to prominence during the 19th century and a dominant industry in the early 20th century, has experienced

¹⁰⁸ Nicholas Johnson, Phil Oliff, and Erica Williams, *At Least 45 States Have Imposed Cuts That Hurt Vulnerable Residents and the Economy* (California: Center on Budget and Policy Priorities, May 25, 2010).

¹⁰⁹ The UCLA Anderson Forecast For The Nation And California. 2010 1st Quarter-2012 4th Quarter.

¹¹⁰ Till von Wachter, "Long-Term Earnings Losses due to Mass Layoffs During the 1982 Recession: An Analysis Using U.S. Administrative Data from 1974 to 2004," (New York: Columbia University, April 2009). Note that paper is preliminary.

¹¹¹ California Building Research Association. Retrieved from <http://www.cbia.org/go/cbia/newsroom/press-releases/its-official-2010-is-second-lowest-year-on-record-for-homebuilding-in-california/>

¹¹² Alana Semuels, "California to suffer housing shift, UCLA forecasters say," *The Los Angeles Times*, June 15, 2011.

significant decline in the last several decades, beginning in the 1950s. Therefore, the decline in manufacturing employment during the Great Recession simply intensified the trend of the last half-century. Manufacturing in California has experienced widespread job losses across various sub-sectors during and prior to the Great Recession. According to the UCLA Anderson Forecast, the industry will experience modest growth through 2013, mainly coming from durable manufacturing goods such computers and electronics.¹¹³ The hope is that money from the stimulus package for energy technology will begin to be distributed to firms across California, who then can begin to hire workers. Manufacturing has seen dramatic declines now for several decades in California. As the industry begins to recover from the economic downturn, manufacturing will see only small gains through 2013, as many of the outsourced jobs are not coming back.

The Keys to Growth in California

The persistent lack of job growth, now almost two years into the recovery, leads many to wonder: will jobs ever come back? Of the 1.3 million jobs lost throughout the state during the Great Recession, 350,000 were related to the housing industry. This left a large share of unemployed who could not find a job in the field they had previously worked in, creating a structural job crisis. Such structural changes in the labor markets can take seven years to adjust¹¹⁴, and therefore not much job growth is expected for atleast another year. With that being said, the overall outlook for the second half of 2011 is bleak; as the first quarterly report for 2011 from the UCLA Anderson Forecast calls for “slow growth and stress in the labor markets”¹¹⁵ for 2011. Employment growth will not push the unemployment rate below double-digits until the second quarter of 2013. Lastly, unemployment will continue to be the underlying and most pressing issue in California throughout the year, as the rate is projected to hover around 12 percent¹¹⁶ as the so-called “missing workers” start looking for work once job growth resumes.¹¹⁷ Even though the California economy is expected to grow slowly in 2011 and 2012, the unemployment rate will only decrease marginally, as the contraction of the California economy is simply not going to be able to produce enough jobs required to absorb the new workers who will enter the labor force over the next couple of years. Expect double digit unemployed to persist for perhaps two more years, even once the job layoffs cease.¹¹⁸ The drivers to recovery from The Great Recession will be education, health care, exports, technology, and construction to some extent.¹¹⁹

¹¹³ The UCLA Anderson Forecast for the Nation and California. 2011^{1st}Quarter-2013 4th Quarter.

¹¹⁴ Ibid.

¹¹⁵ Ibid.

¹¹⁶ Ibid.

¹¹⁷ Andrea Orr, “Missing” Workers Return (Washington, DC: Economic Policy Institute, May 11, 2010). The missing labor force is made up of those groups of people not currently counted as unemployed because they have either become discouraged at poor job prospects, or stopped looking for work.

¹¹⁸The UCLA Anderson Forecast for the Nation and California. 2011 1st Quarter - 2013 4th Quarter.

¹¹⁹ Ibid.

Conclusion

Understanding the American Dream

Understanding the central ideology of the American Dream is essential to understanding the severe challenges that this dream currently faces. "The American Dream," a phrase first coined by Historian James Truslow Adams in 1931, has often been understood as a fundamental belief that citizens of every social rank feel that they can achieve a better, richer, and happier life, as they define it--whether material or otherwise.¹²⁰ In 1993, former U.S. president Bill Clinton, in an address to the Democratic Leadership Council, spoke of the American Dream as follows:

"The American Dream that we were all raised on is a simple yet powerful one--if you work hard and play by the rules you should be given a chance to go as far as your God-given abilities will take you."¹²¹

This is not uniquely an American Dream; it's a global dream. Yet it is associated with the United States--the land of opportunity and possibility. Today this dream is fizzling as a national ideal, as the average American no longer believes in the promise that shaped this great nation, which was unique in the sense that no other nation had an official national dream so embedded in its culture. For decades, it was California that epitomized the American Dream with its economic strengths, artistic creativity, and ambitious spirit. This dream is what makes this state attractive and magnetic to people from all corners of the world.

These are tough times for the dream, and even tougher times for the California Dream. While California businesses seem to be hiring again--proliferating payrolls by 28,800 net positions in June 2011 and allowing the state to outpace the nation in job growth--two economies are developing within California, one for more highly educated workers living on the coast, and one for inland workers with less formal education. With growth concentrated in affluent areas such as Silicon Valley and in high-paying fields such as professional and technological services, blue-collar trades such as construction and trucking continued to shed workers. This divide suggests that the state is undergoing an uneven recovery.¹²² It is no wonder why there has been a sharp rise in the public's pessimism, reflective in a recent survey asking Californians about the general direction of the state, only 19% of all adults polled said California was headed in the right direction.¹²³ Although this survey was taken

¹²⁰Jim Cullen, *The American Dream: A Short History of an Idea that Shaped a Nation* (USA: Oxford University Press U.S., 2004).

¹²¹Jennifer Hochschild, *Facing Up to the American Dream: Race, Class, and the Soul of the Nation* (Princeton, NJ: Princeton University Press, 1995), 18.

¹²²Alana Semuels, "California job market is rebounding, but unevenly," *The Los Angeles Times*, July 23, 2011.

¹²³Public Policy Institute of California. *General Direction of Things in California*. January 2010.

in the midst of The Great Recession, the findings of this research show that the California Dream has been deteriorating since at least the 1970s in several respects:

1. Wages overall have declined and stagnated since the 1970s
2. Virtual disappearance of middle mobility jobs has stratified jobs in the low end of the wage scale and the high end.
3. Racial and educational disparities in employment prospects have become intensified.
4. Opportunity for mobility has become deeply fragmented for different segments of the population.

As we look into possible remedies to solve this current job crisis, it is important to also recognize the long-term trends of employment, job growth, and income gains. While The Great Recession has intensified racial and class stratification, there were underlying patterns of differential employment opportunity and income gains for different groups of people prior to the recession. As the data illustrated in this chapter made clear, the 'California Dream' has been eroding at an increasingly intense pace for several decades. It is of great importance to examine the issues and opinions that Californians have been and are currently grappling with to better understand how to move forward with concerted and coordinated efforts.

Short-term Policy

The United States is currently experiencing the sharpest rise in unemployment and the longest recession since the Great Depression in the 1930s. The nation is in a vicious cycle where consumers will not buy more because they are afraid of losing their jobs and/or their pay is dropping, which in turn is causing employers to slow down their hiring and in many cases layoff more of their workers. As discussed earlier, this economic downturn is even more intense in California. It is devastating lives, impoverishing entire communities, and is doing great damage to a generation of children and families, creating long lasting social trauma. Therefore, the immediate key priority must be to **create jobs** so that the residents of California can be put back to work. These jobs should include: investments in the "green" economy and community improvement--painting and repairing local schools, community centers, libraries, roads, and much more. Recently, the American Society of Civil Engineers identified more than \$2.2 trillion in public infrastructure needs throughout the nation.¹²⁴ Investing in the nation's crumbling infrastructure will create jobs and stimulate the economy, and the investment would be lasting. This must be done through an immediate job creation program on a large scale. Our policy recommendations include:

¹²⁴ American Society of Civil Engineers, *2009 Report Card for America's Infrastructure* (Washington, DC: American Society of Civil Engineers, May, 2009).

1. **Customized Job Training Programs**

To prepare workers to take advantage of new and increasing job opportunities in high growth, high demand vital sectors of the American and California economy. These programs must be accountable and must have a goal of tangible job skill development.

2. **Government Investment**

Recreate Works Projects Administration (WPA)¹²⁵ and Civilian Conservation Corps, two of the most successful jobs programs of the New Deal.¹²⁶

3. **Payroll Tax Exemption**

Exempt the first \$20,000 of income from payroll taxes for the next two years. This will put cash directly into American's pockets, creating consumer demand and boosting consumer spending.¹²⁷

4. **Tax Credits**

Offer a job creation tax credit to small businesses that hire workers who have been unemployed for an extensive period or add significant hours of work to those already employed (for example, making a part-time worker full-time). This tax credit could refund employers anywhere from 10%-15% of wages paid to newly hired workers.

5. **China's Currency Manipulation**

Since China entered The World Trade Organization (WTO) in 2001, the extra ordinary growth of U.S-China trade relations has had a dramatic effect on U.S. workers and the structure of the economy. According to a report published by the Economic Policy Institute (EPI), the growing trade deficit with China has eliminated 2.4 million jobs in the United States between 2001 and 2008.¹²⁸ China's manipulation of its currency, the *yuan*, is responsible for at least 1 million of these lost jobs. The EPI has suggested that Congress address China's currency revaluation by imposing a currency manipulation adjustment tariff that would raise the effective exchange rate, balancing the two countries' trade relationship.¹²⁹

The collapse of the housing market, and the panic that later rattled the financial

¹²⁵ The WPA (Works Projects Administration) was the largest and most ambitious New Deal agency, employing millions of unskilled workers to carry out public works projects such as construction of public buildings and roads.

¹²⁶ Robert Reich, "Six Steps to Create Jobs," *Money News*, July 14th, 2011.

¹²⁷ Ibid.

¹²⁸ Robert E. Scott, *U.S. Jobs Depend on China Revaluing its Currency Now* (Washington, DC: Economic Policy Institute, June 23, 2010).

¹²⁹ Ibid.

markets, has hit the California economy hard. Businesses expecting a decline in demand and limited access to credit began to ruthlessly cut their workforce, reduce inventories, and halt planned expansions. As suggested by the Economic Policy Institute (EPI), only large scale and comprehensive Federal and State intervention can spur job growth in the immediate future. Unless such a policy is immediate and sufficient, we can expect the number of unemployed to continue to remain at a double-digit rate well into 2012, as predicted by the UCLA Anderson Forecast. While these policy measures will require more public spending in the short term, unless we get the economy moving, the long-term deficit problem will only grow worse.

Long-term Policy

The United States is a nation based on the idea that a person's birth does not determine his or her destiny, and that hard work is all it takes to improve one's situation. Nevertheless, for several decades now, working Americans have been feeling squeezed, as they have become consumed with the day-to-day financial struggles. The evidence on social mobility is hardly encouraging to those who carry the belief that all Americans have a chance to pull themselves up by their bootstraps. According to research conducted by *The Economist* (December, 2004) on inequality and social-mobility, inequality and class stratification is growing at levels not seen since the Gilded Age.

Diminished social mobility is linked not just to recessions that hit the market every decade or so but to job structure and differential educational opportunity. Social and economic policy must address the decline of middle mobility jobs. With manufacturing not only leaving the state, but also the nation, jobs in the middle of the earnings distribution scale are difficult to come by. As a result, workers are stratified in either the bottom end of the earnings distribution scale, or at the high end, which requires high levels of formal education. With very few middle mobility jobs, the job structure has become symbolic of a caste system rather than a meritocracy. This is a structural issue rather than a short-term issue, and policymakers must implement strategies that provide a realistic path of upward mobility.

Very few dispute the importance of education and the government's role in assuring minimum standards of education for the good of society and the economy. Increasingly, education is becoming a central aspect of opportunity. Education has clearly become even more intensely related to economic stability, as incomes and job quality have declined for people with less than a college education, while those for people with higher education have risen significantly.¹³⁰ Recent research from the Brookings Institution has shown that college education strongly affects

¹³⁰ Gary Orfield, *Metropolitan School Desegregation: Impacts on Metropolitan Society 1995-1996*. Cambridge: Harvard Education Press, July 1996)

Americans' prospects for climbing up the income ladder. The study used data from the last four decades to show that adults who have degrees from two-year or four-year colleges have significantly higher family incomes than do adults who have only a high school diploma or are high school dropouts. In addition, income has increased steadily over the same time period for individuals with a college degree while remaining stagnant or declining for individuals with a high school education or less.¹³¹ In California, this is even more the case, as a recent study using census data has shown that the wages of college graduates are about 90% higher than the wages of workers with only a high school diploma, and that the value of a college degree has grown rapidly over the past quarter century at least.¹³² Therefore, policymakers must ensure that more and more schools will provide students with paths to college. Too many schools in California are failing to provide the adequate education for their students that will be essential for meeting the demands of the labor market in the coming years. The benefits of an education are immense, not only for the individual, but for the region as a whole. In a report released by the California Dropout Research Project, it was estimated that over their lifetime, one cohort of dropouts in California results in total losses¹³³ worth over \$46 billion.¹³⁴ The economic benefits of not only raising the dismal high school graduation rate in the region, but also investing in postsecondary education, are sizable.

The Public Policy Institute of California (PPIC) released a recent study on California's shortfall in its supply of college-educated workers. The PPIC projects that by 2025, 41% of jobs in California will require a college degree.¹³⁵ Improving the educational attainment of California's young adults is essential for the State of California. Not only would this allow the adults to succeed in California's increasingly high-skilled economy, but it would also, without a doubt, benefit the state through increased tax revenues and the social and economic mobility that tends to happen with higher levels of education.¹³⁶ Research on economic mobility shows that individuals from poor and low-income families who earn a college degree are much more likely to move up the income scale than peers in their own generation without a degree.¹³⁷ Perhaps most important, raising the educational attainment level of the state's residents will foster greater economic growth for years to come. The following policy recommendations would be most effective in addressing this educational crisis:

¹³¹ Ron Haskins, Harry Holzer, and Robert Lerman, *Promoting Economic Mobility by Increasing Postsecondary Education* (Washington, DC: Brookings Institution, May 2009).

¹³² Hans Johnson and Ria Sengupta, *Closing the Gap: Meeting California's Need for College Graduates* (California: Public Policy Institute of California July 2009).

¹³³ Figure represents lifetime consequences for one cohort of dropouts at age 20, such as crime, net fiscal costs, net earnings, and externalities..

¹³⁴ Clive R. Belfield and Henry M. Levin, *The Economic Losses from High School Dropouts in California*, (Santa Barbara, CA: California Dropout Research Project, August 2007).

¹³⁵ Johnson and Sengupta.

¹³⁶ Ibid.

¹³⁷ Haskins, Holzer, and Lerman.

1. Address Educational Inequality

Though complex, educational inequality is a major contributing factor to the growing inequality in the labor market. Creating policy to address educational inequality, in conjunction with labor and other social policy, provides a more comprehensive strategy to ensure we create a workforce ready to meet the demands of the market. Particularly, reducing racial and ethnic gaps in school performance and achievement will help California meet the demands for workers with technical and scientific knowledge.

2. Increase College Enrollment

Gradual increases in college enrollment rates from California's current level to the national average, a 20% improvement in transfer rates, and an improvement in completion rates at CSU would, together, reduce the skills gap by one-half by 2025.¹³⁸

3. More Outreach Programs

Create more college-promoting outreach programs, particularly in urban schools and neighborhoods, where they can increase awareness of the importance of college and financial aid availability.

4. Alternative-to-College Programs

Create programs that serve as an alternative to college, which will include postsecondary training and workforce skills development.

5. College-Related Goals

High Schools across the state must focus on college related goals rather than current educational policies, such as high stakes tests for students and test-driven accountability for schools.

Without thinking ahead toward the long-term implications of not acting, California is likely to become increasingly stratified by race, social class, and educational attainment, all of which intersect in ways this study has discussed. The state is also unlikely to meet the demand of business that will increasingly need highly skilled workers. The findings of the PPIC report indicate that modest gains in college attendance, slight increases in community college transfer and completion rates, could lead to significant gains in the number of college graduates in the state.¹³⁹ The future that lies ahead demands coordinated and strategic efforts to address the current economic issues of California. Particularly in times of unprecedented budget cuts, it is important to think about the social implications of doing nothing.

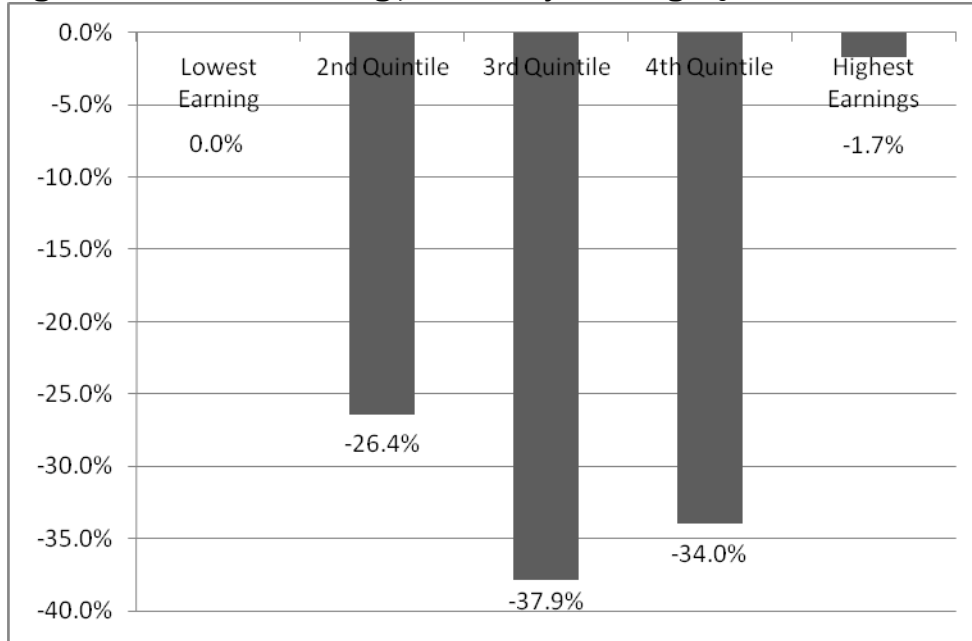
¹³⁸Johnson and Sengupta.

¹³⁹ Ibid.

Shortchanging education for short-term budget fixes could seriously shortchange California's social and economic future. Complacency is likely to lead to not only enhanced inequality and increased social marginalization, but also to prolonged economic stagnation in California and the nation.

Appendix A: Supplemental Tables

Figure A-1: Manufacturing Job Loss by Earnings Quintiles 1979-2005



Source: California Budget Project

Table A-1: County Median Family Income (in US Dollars), by Race, 2000

County	Latino	African American	Asian	White
Los Angeles	33,363	37,190	54,108	69,396
Riverside	36,289	42,482	58,443	56,195
San Bernardino	38,070	38,750	58,750	53,495
San Diego	33,993	39,913	56,764	63,330
Ventura	44,575	55,075	75,720	74,967
Orange	41,010	54,181	61,785	78,354

Source: Center for Comparative Studies in Race and Ethnicity Stanford University; 2000 Census

Table A-2: County Median Household Income (in US Dollars), by Race, 2000

County	Latino	African American	Asian	White
Los Angeles	33,820	31,905	47,631	53,978
Riverside	36,469	38,644	50,923	46,729
San Bernardino	38,068	35,730	54,704	45,555
San Diego	34,555	36,389	51,981	52,089
Ventura	46,404	51,382	71,851	64,568
Orange	44,676	49,972	58,501	65,160

Source: Center for Comparative Studies in Race and Ethnicity Stanford University; 2000 Census

Table A-3: Labor Force Participation Rate by Age, 2000

	<u>16-19</u>	<u>20-24</u>	<u>25-54</u>	<u>55-59</u>	<u>60-64</u>
Los Angeles	38.2	67.7	72.70%	64.7	47.4
San Diego	42.8	61.6	75.40%	67.4	48.4
Ventura	46.8	74.9	78.20%	71.5	51.7
Orange County	45.3	72.4	77.70%	71.3	53.2
Riverside	43.3	70.9	73.30%	61.9	43.5
San Bernardino	41.6	65.6	71.40%	63.3	42.4

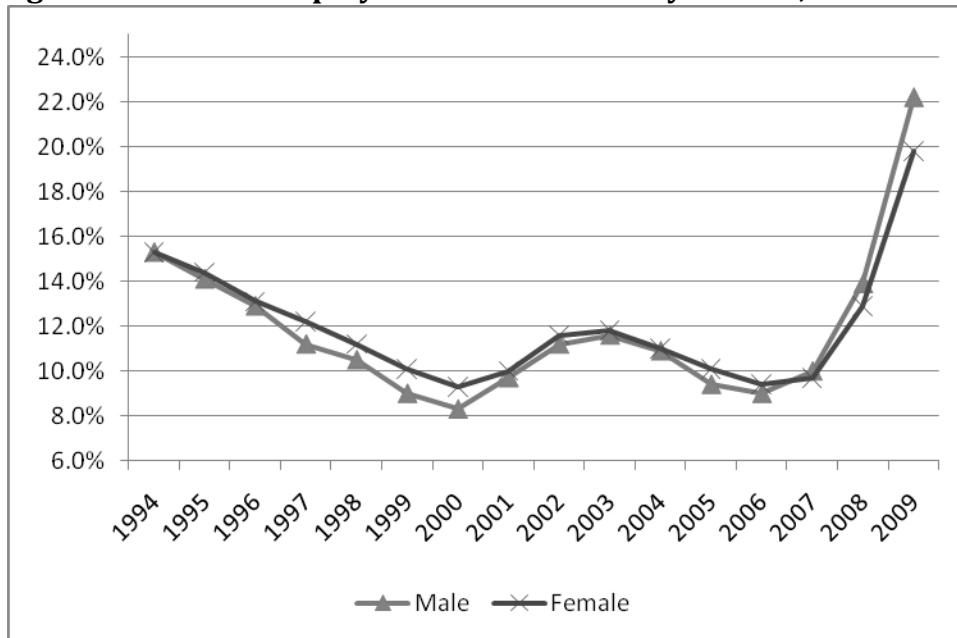
Source: US Census Bureau

Table A-4: Labor Force Participation Rate by Age, 2005-2007

	<u>16-19</u>	<u>20-24</u>	<u>25-44</u>	<u>45-54</u>	<u>55-64</u>
Los Angeles	34.10%	71.2	79.7	77.6	62.1
San Diego	41.00%	76.8	81	79.9	63.7
Ventura	43.10%	76.5	82	82.1	66.1
Orange County	39.30%	75.9	81.1	81.5	67
Riverside	40.60%	74.2	75.4	74.9	56.4
San Bernardino	42.40%	75.2	77.8	77.2	56.6

Source: US Census Bureau

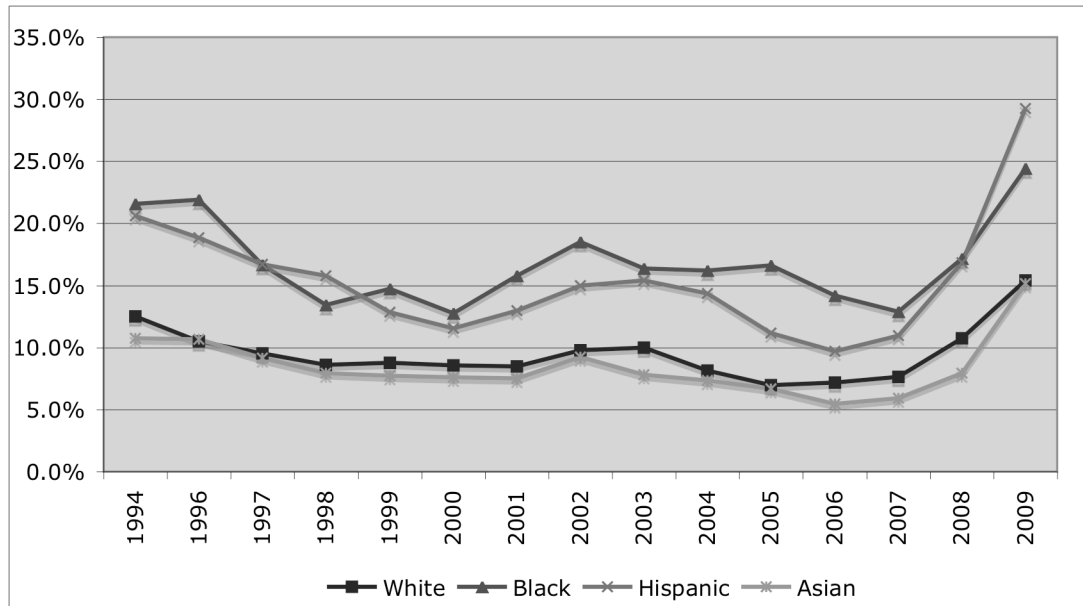
Figure A-2: Underemployment in California by Gender, 1994-2009¹⁴⁰



Source: Economic Policy Institute

¹⁴⁰ Economic Policy Institute in-house analysis using CPS data. 1994, the Census redesigned the CPS and introduced computer-assisted interviewing techniques.

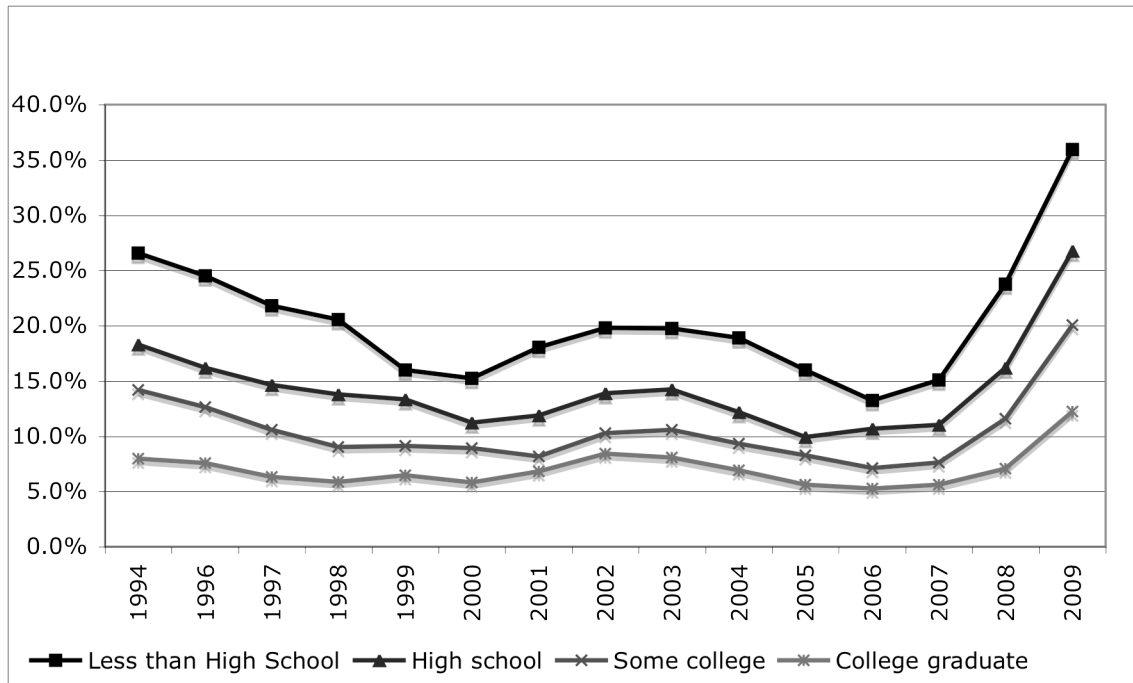
Figure A-3: Underemployment in LA County by Race¹⁴¹



Source: Economic Policy Institute

¹⁴¹ The metro area variable changed in April, 2004, so there may be a slight difference in the data before and after. Our data do not have the metro variable for 1995. White, black, Hispanic, and Asian are mutually exclusive categories. The underemployment rate is calculated as the (unemployed + marginally attached + part time for economic reasons).

Figure A-4: Underemployment in LA County by Educational Attainment¹⁴²



Source: Economic Policy Institute

Table A-5: Unemployment/Underemployment in CA/LA County by Age and Gender

Labor Force		California				Los Angeles County			
		Unemployment		Under-employment		Unemployment		Under-employment	
		Dec-07	Nov-09	Dec-07	Nov-09	Dec-07	Nov-09	Dec-07	Nov-09
Age	55 and over	3.8%	9.4%	7.6%	18.2%	3.7%	9.6%	7.2%	21.7%
	45 to 54	4.5%	9.3%	8.3%	18.4%	5.1%	10.2%	9.3%	22.2%
	35 to 44	4.2%	10.3%	7.8%	18.9%	4.3%	9.9%	8.8%	19.8%
	25 to 34	5.3%	11.7%	10.2%	21.8%	5.7%	11.8%	10.0%	22.8%
Sex	Female	5.7%	11.0%	10.3%	20.9%	5.0%	11.4%	10.5%	24.0%
	Male	5.5%	12.8%	10.2%	22.6%	5.4%	13.6%	9.3%	24.6%
Total Labor Force		5.9%	12.2%	10.2%	21.8%	5.5%	12.2%	9.8%	24.4%

Source: Los Angeles Economic Roundtable

¹⁴² Data does not have the metro variable for 1995. The underemployment rate is calculated as the (unemployed + marginally attached + part time for economic reasons).