

Concentrated Poverty in Los Angeles

February 2008

Prepared for the
City of Los Angeles

**ECONOMIC
ROUNDTABLE**

A Nonprofit, Public Policy Research Organization

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This report has been prepared by the Economic Roundtable, which assumes all responsibility for its contents. Data, interpretations and conclusions contained in this report are not necessarily those of the City of Los Angeles.

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Executive Summary

Poverty adversely affects the lives of Los Angeles residents as well as the City as a whole. Among other things, poverty has a direct financial impact on local government because of above-average per capita costs for municipal services related to police and fire protection, courts, education, and other services in poor neighborhoods. Nationally, the number of neighborhoods marked by concentrated poverty and the number of people living in such acutely poor neighborhoods has declined. Los Angeles is one of only two major U.S. metropolitan areas in which concentrated poverty became more prevalent between 1990 and 2000.

This analysis of concentrated poverty (census tracts in which 40 percent or more of households were below the poverty level in 2000) found that neighborhoods with concentrated poverty are clustered in a corridor extending from downtown-adjacent neighborhoods to South Los Angeles.

- Eight percent of the tracts in the City have concentrated levels of poverty. These tracts are home to over 270,000 residents.
- Residents of concentrated poverty neighborhoods (CPNs) are disproportionately Latino and Black. They also are largely foreign-born and face language barriers.
- The proportion of residents in CPNs who are working-age is comparable to that in the City as a whole, but residents of CPNs are less likely to be employed and more likely to be out of the labor force.
- The wide-spread impacts of concentrated poverty are revealed by a variety of indicators of social wellbeing. CPNs are 63 percent more adversely impacted than the City as a whole as measured by:
 - Housing insecurity
 - Immobility
 - Educational attainment
 - School performance
 - Young adults at-risk
 - Maternal health outcomes
 - Public safety

There is a much higher concentration of construction workers among CPN residents than in the overall City or County of Los Angeles. Many CPN residents have job skills and work histories that qualify them for construction jobs. An examination of current City of Los Angeles Public Works construction projects revealed that 70 percent of the construction jobs are held by workers who do not live in the City. This has occurred even though in 2006, 7,000 construction workers living in the City were unemployed.

Introduction

Between 1990 and 2000, the nation made headway in curbing the proliferation of concentrated poverty. Los Angeles, on the other hand, was one of the few major metropolitan areas in the U.S. to experience an increase.¹ The findings of this study, along with those of other recent research, support the conclusion that the number of neighborhoods experiencing concentrated poverty and the share of people who live in these neighborhoods have increased in the Los Angeles region.² This troubling trend adversely impacts the life outcomes of many Los Angeles residents. From labor market outcomes, such as employment and earnings, to a broader array of social indicators, the persistence of concentrated poverty erodes the wellbeing of City residents.

The impact of poverty reaches beyond individuals and communities; it has a direct financial impact on local government. A national study of U.S. cities found that the largest poverty-related expenditures for cities come from above-average per capita costs in poor neighborhoods for municipal services related to police and fire protection, courts, education, and other services from local government.³ This finding is supported by an analysis of the effect of poverty on public expenditures in the Los Angeles region over the last twenty years, which found that poverty is one of the most important factors influencing patterns of local public expenditures. High-poverty communities have high costs for public safety and other municipal services. These costs exceed those for services directly linked to poverty such as emergency health care and affordable housing, and have increased over time.⁴

Increasing access to local employment with living wages is one way in which the City can ameliorate some of the effects of poverty and assist residents of poverty stricken communities. The City of Los Angeles Community Development Department (CDD) requested the Economic Roundtable to identify and profile Los Angeles neighborhoods with concentrated poverty and analyze labor flows of construction workers into and out of Los Angeles. The purpose of this report is to identify needs of these communities and begin an examination of how construction jobs can be a tool for addressing concentrated poverty.

Concentrated Poverty - A Divergent Los Angeles

Studies at the national level have shown that concentrated poverty decreased in the 1990s after dramatically increasing in the 1970s and 1980s. The number of neighborhoods and the number of residents in concentrated poverty - census tracts with poverty rates of 40 percent or more - both declined by almost 25 percent between 1990 and 2000.⁵ The number of neighborhoods in concentrated poverty throughout the nation declined from 3,417 to 2,510, and the number of residents declined from 10.4 million to 7.9 million. Other notable national trends include:

- A decline in the share of all racial and ethnic groups, particularly Blacks, that live in neighborhoods with concentrated poverty. The share of Blacks decreased from 30 percent in 1990 to 19 percent in 2000.⁶
- A decline in the number of neighborhoods in concentrated poverty in central cities and rural areas.⁷
- A growing share of tracts with poverty rates of 30 percent or more in the suburbs of the largest 100 metropolitan areas.⁸

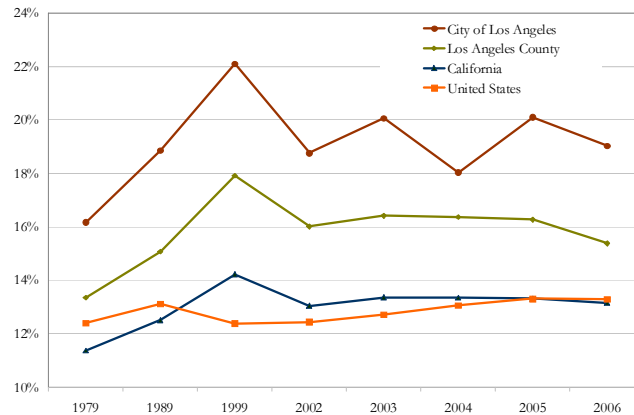
While such macro-level trends encouraged optimism for the nation, the Los Angeles region in particular had less to celebrate. Poverty rates in the City and County of Los Angeles over the last two-and-a-half decades have been consistently higher than the State and Nation, as shown in Figure 1. Since 1979, poverty rates in the City have been 30 to 78 percent higher than U.S. poverty rates.

The Los Angeles region was one of two major U.S. metropolitan areas where the concentration of poverty became more prevalent.⁹ Diverging from national trends, the Los Angeles region experienced a marked growth of neighborhoods and residents in concentrated poverty. Less than 2 percent of tracts in the region experienced concentrated poverty levels in 1970 and 1980, and 4 percent of the poor population lived in these tracts. By the turn of the century, the percent of tracts more than doubled to 5 percent, and their share of the poor population tripled to 12 percent.¹⁰

The growth in concentrated poverty in the Los Angeles region was accompanied by changes in the racial/ethnic composition and geographical concentration of the poor. Concurrent with national trends, by 2000, Blacks in the region made up a smaller share of the population living in concentrated poverty. Their share of the population in tracts with concentrated poverty decreased from over 50 percent in 1970 to less than 20 percent in 2000. Latinos, however, increased their representation from 20 percent in 1970 to 65 percent in 2000.¹¹ This growth is largely explained by immigration, as the share of the region's population made up of foreign-born residents grew from 13 to 44 percent during the same time period.¹² Changes in the Los Angeles region also paralleled the geographic reorganization of poverty that was taking place at the national level during the 1990s. Poverty, which was once predominately an ailment of the central city, extended into suburban areas. The number of people living in concentrated poverty nearly quadrupled in suburban Los Angeles County during the 1990s, and by 2000, a comparable number of people in poverty lived in the suburbs and inner-city.¹³ Still, despite striking growth at the peripheries, the most severe cases of concentrated poverty remained in the city core.¹⁴

A number of factors contributed to the increases in economic polarization and spatial stratification in Los Angeles during the 1990s. Changes in the labor market, brought on by an influx of immigrants, industrial restructuring, and an evolving regional and global economy influenced Los Angeles' divergence from nation trends. Immigration from Mexico and Latin American not only increased the number of low-income residents and altered the demographic composition of poverty in Los Angeles, it created a large supply of less-skilled labor competing for depressed wages.¹⁵ The region concurrently witnessed the loss of higher paying manufacturing jobs in a declining aerospace industry and an evolving regional and global economy.¹⁶ The early part of the decade also brought Los Angeles a severe recession from which recovery was slow and civil unrest (1992) that fragmented communities, heightened racial tension, and accelerated the flight of the middle-class and capital investments from already fragile communities.¹⁷ The growth in the number of workers at

Figure 1. Percent of Population below Poverty Threshold 1979 to 2006



Source: U.S. Census Bureau

the lower rungs of the labor market and the decreasing availability of jobs in the middle-income range continues to present Los Angeles with unique conditions that perpetuate economic inequality.

Concentrated Poverty in the City of Los Angeles

Measuring Concentrated Poverty

The City of Los Angeles has higher rates of concentrated poverty than the nation and the greater Los Angeles region.

Nineteen percent or over 238,000 of the 1.3 million households in the City of Los Angeles were living below the federal poverty threshold in 2000. A quarter of the census tracts in the City (216 tracts) had poverty rates of at least 30 percent. The more extreme cases of poverty were found in 8 percent of the City's tracts where 40 percent or more of the households were impoverished. For the purpose of this study, these tracts - with 40 percent or more of households below the poverty threshold - are defined as areas with concentrated poverty.¹⁸ Seventy tracts with concentrated poverty held 15 percent of all the households in poverty. With 8 percent of the tracts in concentrated poverty in 2000, the City had a higher rate of concentrated poverty than the nation or the greater Los Angeles region.

Where is poverty concentrated?

Neighborhoods with concentrated poverty are clustered throughout South Los Angeles and Downtown adjacent areas.

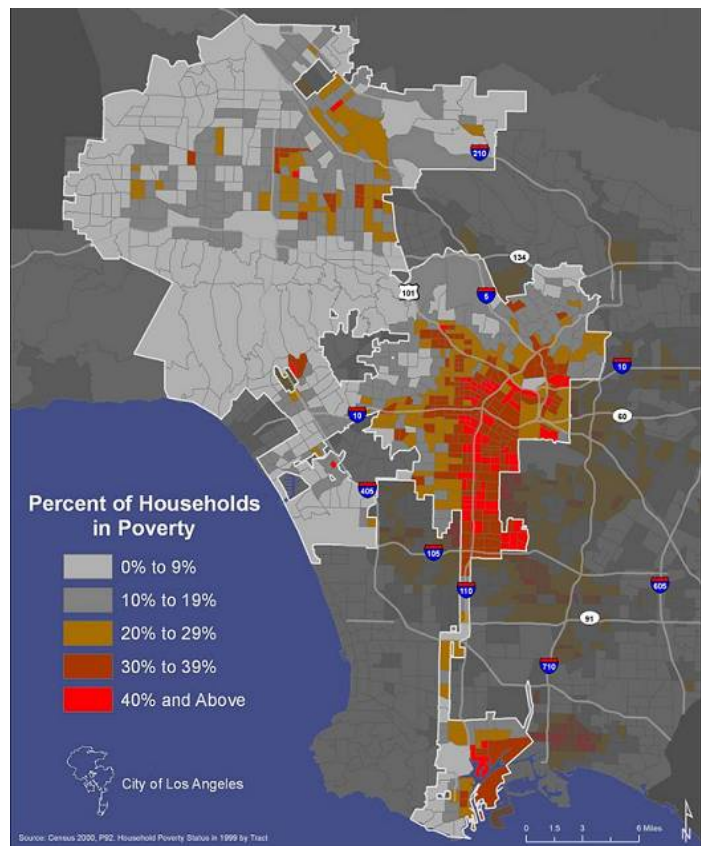
While impoverished households can be found in virtually every tract throughout the City, it is unmistakable that a majority of these households are located in specific geographic areas. The spatial distribution of poverty in the City of Los Angeles is shown in Figure 2. As evidenced by the map, high levels of poverty are pervasive in South Los Angeles and also are found in portions of the San Fernando Valley, Hollywood, Boyle Heights, Northeast Los

**Table 1. Poverty by Households and Tracts
City of Los Angeles**

% of Tract Below Poverty Threshold	Households in Poverty		Tracts	
	#	%	#	%
0% to 9%	23,169	10	228	27
10% to 19%	60,559	25	231	28
20% to 29%	57,678	24	162	19
30% to 39%	61,651	26	146	17
40% and Above	35,016	15	70	8
Total	238,073	100	837	100

Source: Census 2000

**Figure 2. Households in Poverty – City of Los Angeles
% Below Poverty Threshold by Tracts**



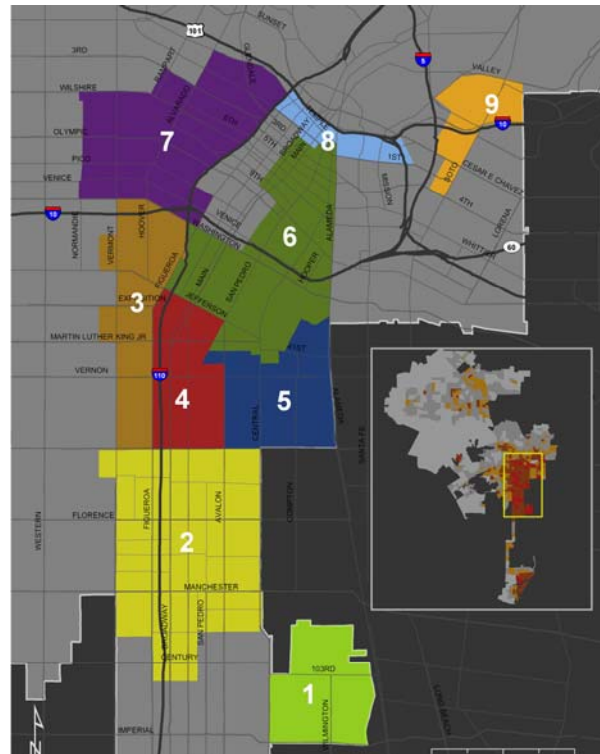
Source: Census 2000

Angeles, and areas surrounding the Port of Los Angeles. A vast majority (89 percent) of the tracts with concentrated levels of poverty are adjacent to Downtown and in South Los Angeles neighborhoods, with a few showing up in the Valley and Harbor areas.

Using the map of poverty shown in Figure 2 as a guide, we identified contiguous tracts with high rates of poverty and defined nine distinct Concentrated Poverty Neighborhoods (CPN), which are shown in Figure 3.¹⁹ The CPNs are profiled and further analyzed in the following section of this report.

CPNs tend to run along the east and west sides of the 110 freeway, from the Watts area in the south to segments of the 101 and 10 freeways in the north. The CPNs combined account for 87 percent of the City's tracts in concentrated poverty, 22 percent of the City's households in poverty, 14 percent of the City's total tracts, and 13 percent of the City's total population. Concentrated poverty rates in the nine CPNs range from a low of 40 percent to a high of 48 percent, with the average rate for CPNs hovering around 41 percent.

Figure 3. Concentrated Poverty Neighborhoods (CPN)

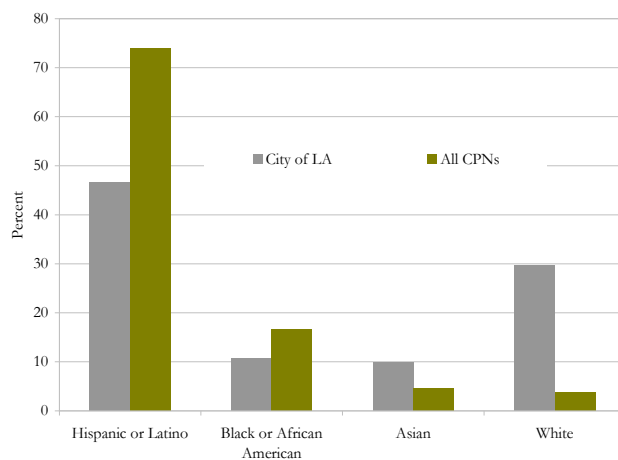


Who resides in Concentrated Poverty Neighborhoods?

Resident of CPNs are largely Latino and foreign-born and face language barriers.

The influx of immigrants from Mexico and Latin America into Southern California during the 1990s marked a decade when the Latino population replaced the Black population as the ethnic majority in concentrated poverty. In 2000, the City of Los Angeles was approximately 47 percent Latino and 11 percent Black, while CPNs were 74 percent Latino and 17 percent Black. Latinos are 13 times more likely than Whites to live in an area of concentrated poverty, Blacks are 12 times more likely, and Asians are 4 times more likely.

Figure 4. Total Population and CPN Population by Race/Ethnicity



Source: Census 2000

As a gateway for immigrants, the foreign-born population comprises a large portion of the City's total population. Forty-one percent of the City's and 51 percent of CPN's total populations were foreign-born in 2000. Not only did CPNs have a greater share of foreign-born residents than the City as a whole, there was a striking difference in the share of residents that were not citizens (Figure 5). Sixty-six percent of the City's foreign-born residents were not citizens while 82 percent of foreign-born CPN residents were not citizens. Furthermore, foreign-born residents in CPNs are less likely to be established residents and more likely than their counterparts in the rest of the City to have entered the U.S. within the last 10 years (Figure 6).²⁰

Given the large share of foreign-born residents and their recency of immigration, it is not surprising that CPNs have higher levels of linguistic isolation than the City as a whole. Households in CPNs are twice as likely to be linguistically isolated as households in the City overall - 18 percent of City households and 36 percent of CPN households were linguistically isolated. A vast majority of the households that are linguistically isolated are Spanish-speaking, as shown in Figure 7.

The working age population in Concentrated Poverty Neighborhoods was comparable to that of the City, but less likely to be employed. Sixty-three percent of the population in all CPNs and 66 percent of the City's population fell between the ages of 16 and 65 - making the share of working age residents in CPNs comparable to that in the City. CPNs did, however, have a younger population with a larger share of residents under the age of 15 and a smaller share of residents 65 and over when compared to the City.

Figure 5. Foreign-Born portion of the Population by Citizenship Status

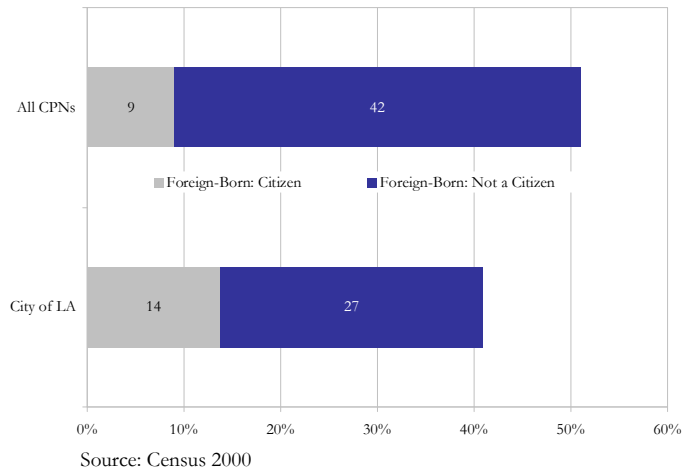


Figure 6. Recency of Entry for Foreign-Born Population

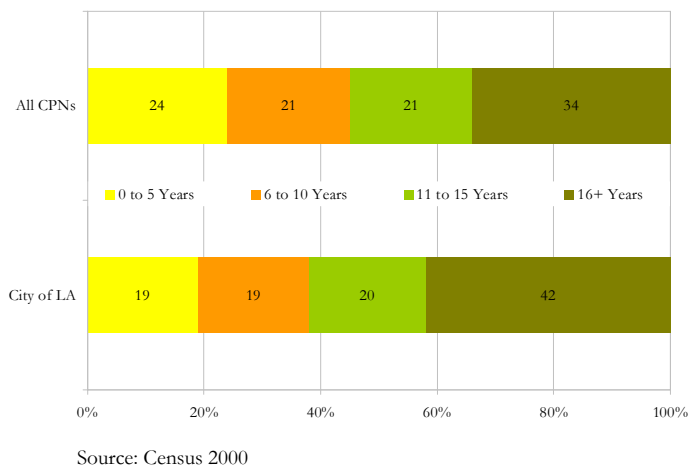
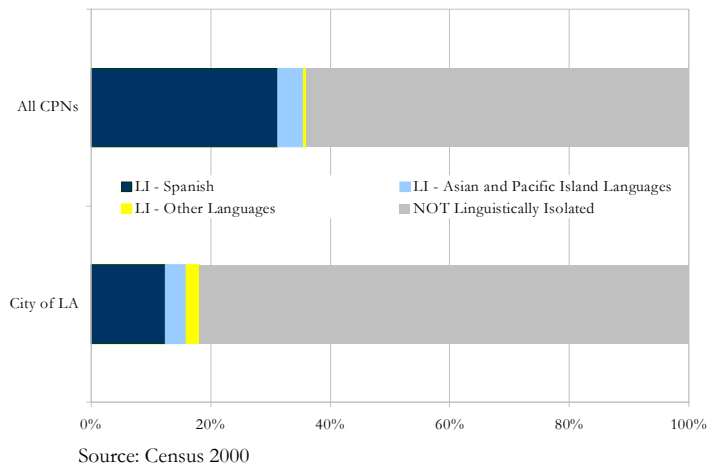
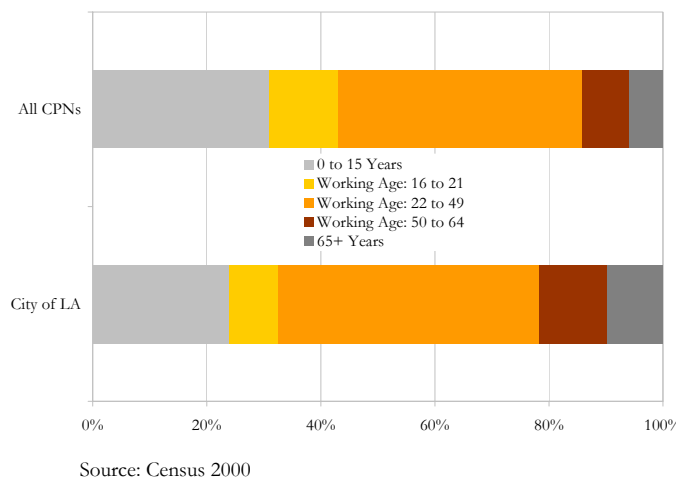


Figure 7. Linguistic Isolation by Language



Unemployment rates in CPNs – the rate of joblessness among active job seekers - were somewhat higher in CPNs: 8 percent compared to 6 percent in the City (Table 2). However, the most salient difference between the City and CPNs becomes apparent when we compare the shares of employed residents versus residents not in the labor force. The employment rate in CPNs was 12 percentage points lower than in the City, and the share of residents not in the labor force was 9 percentage points higher. One of the reasons for these disparities may well be that recent immigrants have the greatest difficulty finding work, the highest rate of job turnover, and the lowest rate of full-time employment of any major segment of the labor force.²¹ The difficult challenges these workers face in finding sustaining employment create acute economic pressures. Some of these workers may find it necessary to seek work through day labor markets.²² The presence of a large young population that requires adult-care may also diminish labor force participation.

Figure 8. Age Distribution



What social outcomes are found in Concentrated Poverty Neighborhoods?

Concentrated poverty is of particular importance due to its effect in perpetuating inequalities, impeding residents’ economic and social mobility, and its negative impact on overall community wellbeing. In order to assess the severity of the conditons associated with concentrated poverty, we created seven indices to measure the wellbeing of the CPNs in comparison to the City, which are summarized in Table 3. Indices greater than 1 indicate diminished wellbeing, and indices less than one indicate improved wellbeing.

Overall, we found that conditions in Concentrated Poverty Neighborhoods severely diminished the living environment and future prospects of residents as measured by all seven indices of wellbeing. These neighborhoods were 63 percent more adversely impacted than the City of Los Angeles as a whole. The living conditions that accompany concentrated poverty reduce

Table 2. Labor Force Participation

	Total Population 16+ Years	% Employed	% Unemployed	% Not in Labor Force
City of LA	2,812,022	55	6	40
All CPNs	329,725	43	8	49

Source: Census 2000

Table 3. Summary of Indices

Index	City of LA	CPNs
Housing Insecurity	1.00	1.71
Immobility	1.00	2.49
Education Deficit	1.00	1.62
School Performance	1.00	1.09
16 to 19 Years Old At-Risk	1.00	1.28
Maternal Health Outcomes	1.00	1.34
Public Safety	1.00	1.86
Wellbeing Index	1.00	1.63

the quality of life for residents as evidenced by:

- *Scarcity of housing* – Forty-two percent of renter-occupied units in CPNs were severely overcrowded.²³ Rental units in CPNs were 71 percent more likely to be severely overcrowded than units in the City. Due to high rents in the City, low-income families must often double- or triple-up in housing.²⁴
- *Reduced mobility for commuting to jobs or meeting household needs* – Residents in CPNs were significantly less mobile than residents city-wide. Forty-one percent of all households in CPNs had no access to a private vehicle, which made them nearly two and a half times more dependent on public transit than City residents overall.²⁵ The consequences of not having access to a private vehicle places these residents at a sizeable disadvantage, as their access to most labor markets in a growing regional economy is severely hindered.
- *Lower levels of skill and education among working-age adults* – Low levels of educational achievement were endemic across all CPNs. Sixty-six percent of CPN residents had less than a high school diploma and only 6 percent had obtained at least a Bachelor degree. Based on the percent of residents who have high school diplomas and college degrees, the CPNs were 62 percent more educationally disadvantaged than the City as a whole.²⁶ Residents without a high-school or college degree are particularly ill-equipped to compete for jobs requiring advanced skills and paying sustaining wages.
- *Lower levels of educational achievement among children* – In a school district already performing below the state average, Academic Performance Index (API) scores for schools serving children from CPNs were 57 points less than the LAUSD average.²⁷ Low levels of education achievement among children in CPNs is a

Table 4. Housing Security Index

	% of Renter-occupied Units Severely Overcrowded	Index
City of LA	24	1.00
All CPNs	42	1.71

Source: Census 2000

Table 5. Immobility Index

	% of Households w/ NO Private Vehicle	Index
City of LA	17	1.00
All CPNs	41	2.49

Source: Census 2000

Table 6. Education Deficit Index

	% of Population w/ Less than a HS Diploma	% of Population w/ Less than a BA Degree	Index
City of LA	33	74	1.00
All CPNs	66	94	1.62

Source: Census 2000

Table 7. School Performance Index

	Average 2007 API Score	Amount by which LAUSD API Score Exceeds CPN Score	Index
City of LA	664	-	1.00
All CPNs	607	57	1.09

Source: CA Department of Education

major concern because primary and secondary schooling sets the foundation to acquire basic skills and pursue a higher education – two critical assets for achieving social and economic mobility.

- *Increased disconnection from school and work among young adults* – Young adults, between the ages of 16 and 19, residing in CPNs have a 28 percent greater risk of labor market exclusion than their city-wide counterparts.²⁸ Approximately 34 percent of 16 to 19 year olds in CPNs were not enrolled in school. Compared to young adults city-wide, they were 65 percent more likely to not be enrolled in school. Additionally, 16 to 19 year olds residing in a majority of the CPNs have higher than average rates of disconnection from both school and work.

Table 8. 16 to 19 Year Old At-Risk Index

	% of Total 16 to 19 Year Old Population Not in School	% of Total 16 to 19 Year Old Population Not in School who are Not Working	Index
City of LA	22	55	1.00
All CPNs	34	56	1.28

Source: Census 2000

- *Increased health and wellbeing risks for mothers and infants* - Residents of CPNs experience 34 percent greater maternal health risks than the city as a whole.²⁹ The rate of births to young mothers 19 years and younger in CPNs is 50 percent higher than the City average, with some neighborhoods having rates that are nearly double the City average. The rate of deliveries with complicating diagnoses is 24 percent higher in CPNs.

Table 9. Maternal Health Outcomes Index

	% of Births to Mothers 19 Years and Younger	% of Deliveries w/ Complicating Diagnoses	Index
City of LA	10	12	1.00
All CPNs	15	14	1.34

Source: CA Department of Public Health – CA Birth Profiles by ZIP Code 2008; OSHPD Patient Discharge Data Jan-Dec 2004

- *Greater likelihood of being a victim of crime* - Public safety problems are 86 percent higher in CPNs than in the City as a whole, as measured by the rates of violent crimes and crimes against property.³⁰ The rate of violent crimes is over 100 percent higher and the rate of poverty crimes is 50 percent higher in CPNs than the City. CPNs in the downtown area tend to experience the greatest prevalence of violent and property crimes.

Table 10. Public Safety Index

	Violent Crimes Per 1000	Property Crimes Per 1000	Index
City of LA	7.43	27.63	1.00
All CPNs	16.53	41.45	1.34

Source: LAPD Statistical Digest 2005

The wide-spread impacts of concentrated poverty are partially revealed in maternal health, school performance, public safety, and housing condition disparities that exist between CPNs and the City. Furthermore, the low level of education attainment, limited language proficiency, and limited transportation mobility found among residents in these neighborhoods places them at greater risk of labor market exclusion and limits their access to better paying jobs. Residents in poverty stricken communities - located in and around South Los Angeles and Downtown - face conditions that exacerbate disparities and hinder both social inclusion and economic progress.

Construction Industry

Construction Industry Employment Share

In 2000, 5 percent of employed residents in the City of Los Angeles and 7 percent of employed residents in CPNs had jobs in the construction industry.³¹ Using location quotients, we are able to assess the share of a region's labor force employed in construction in comparison to other regions. A location quotient equal to 1 indicates proportional

employment in construction between regions, a score greater than 1 indicates a greater share of the labor force employed in construction in the region, and a score of less than 1 indicates a smaller share of the labor force. The location quotients shown in Table 11 compare the City of Los Angeles and CPNs against other regions.

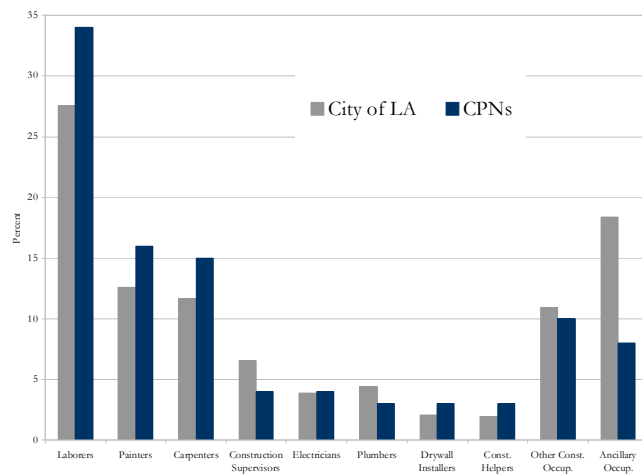
The percent of the City's resident labor force employed in construction is comparable to that in the County, but the industry supplies a smaller share of jobs in the City than it does at the state and national levels. The built-out nature of the City may be a leading factor contributing to this employment outcome. At the CPN level, we find that residents are employed in the construction industry at a rate equal to or greater than residents in all other comparison areas. Strong construction employment in CPNs is particularly apparent in comparison to the City and County. The concentration of CPN residents with a skill set viable for construction contributes to this outcome.

Table 11. Location Quotients – City of Los Angeles and CPNs

	Comparison Group	% of Total Employed Population Employed in Construction	Location Quotient
City of Los Angeles vs...	LA County	5.13	1.03
	California	6.22	0.85
	United States	6.78	0.78
CPNs vs...	City of LA	5.29	1.28
	LA County	5.13	1.32
	California	6.22	1.09
	United States	6.78	1.00

Source: Census 2000

Figure 9. Occupations of Construction Workers in the City and CPNs



Source: 2005/2006 American Community Survey

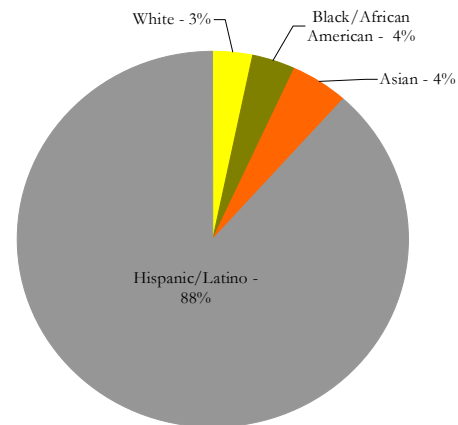
Construction Worker Profile in CPNs

Two-thirds of all construction workers in CPNs work as laborers, painters, and carpenters. Compared to the City, construction workers in CPNs are overrepresented as laborers, painters, carpenters, drywall installers, and construction helpers, as indicated in Figure 9.

Almost 90 percent of construction workers living in CPNs are Latino and 4 percent are Black. Relative to their overall representation in the CPN population, Latinos are overrepresented in construction by 14 percentage points (74 percent of population and 88 percent of construction) and Blacks are underrepresented by 13 percentage points (17 percent of population and 4 percent of construction). The Asian and White CPN populations are proportionately represented in the construction industry. A study for the UCLA Institute for Labor and Employment in 2006 found parallel disparities in Latino and Black representation in construction apprenticeship programs in Los Angeles, which are predominately joint union-employer programs.³² Latinos, who comprised 48 percent of the overall population, accounted for 61 percent of apprentices, and Blacks, who comprised 10 percent of the population, accounted for 7 percent of apprentices.³³ The discrepancy in participation rates between racial/ethnic groups warrants careful attention because it may be the result of unfair exclusion.

Construction workers living in CPNs are predominately foreign-born and face language barriers, as shown in Table 12. Foreign-born CPN residents are overrepresented in the construction industry; they represent 85 percent of all CPN construction workers, but only 50 percent of the CPN population. Nearly two-thirds of CPN construction workers report that they do not speak English well or at all. Additionally, educational attainment for the largest segment of construction workers in CPNs is low. A

Figure 10. Race/Ethnicity of CPN Construction Workers



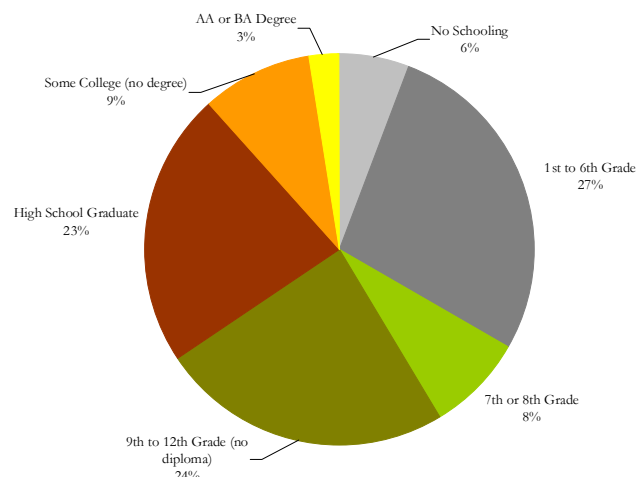
Source: 2005/2006 American Community Survey

Table 12. Nativity and English Ability for CPN Construction Workers

Nativity		Ability to Speak English	
Native	Foreign-Born	Very Well or Well	Not Well or Not at All
15%	85%	37%	63%

Source: 2005/2006 American Community Survey

Figure 11. Educational Attainment for Construction Workers in CPNs



Source: 2005/2006 American Community Survey

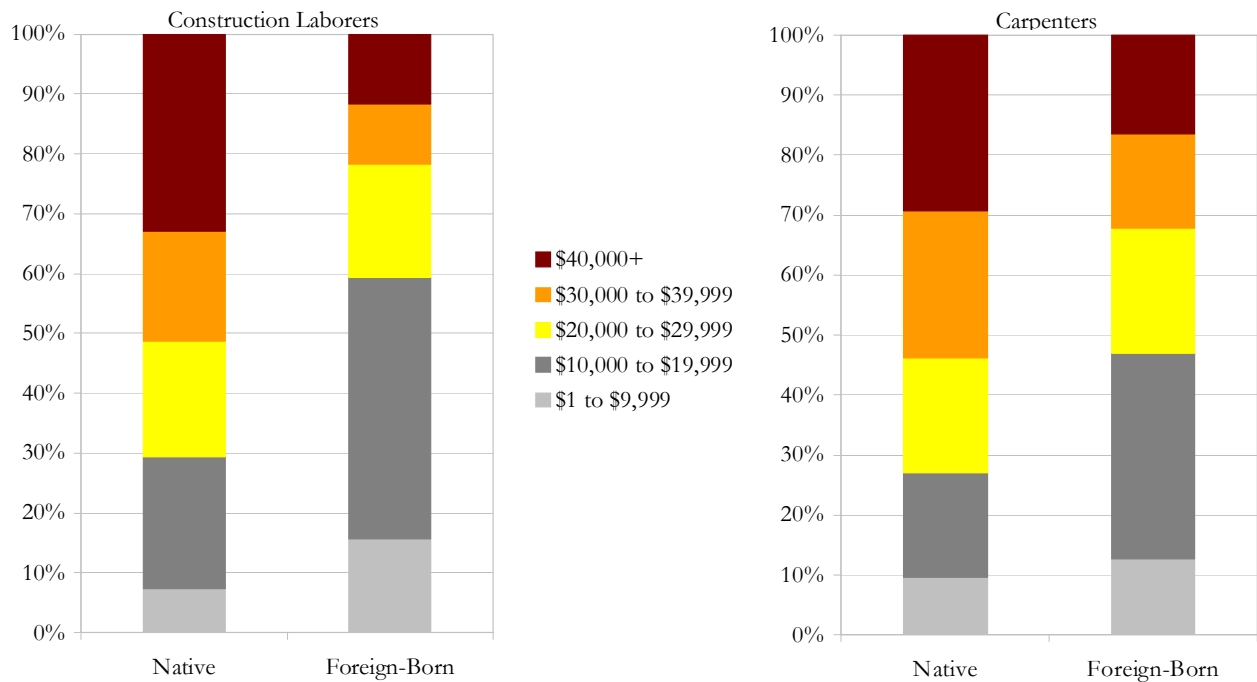
third of laborers, carpenters, and painters in CPNs have a 6th grade education or less and two-thirds have not graduated from high school. The large number of CPN residents with work histories in construction and the demographic profile of these workers, together, suggest that the construction industry offers job opportunities for workers facing social and economic barriers. However, these well may be marginalized jobs within the industry.

Disparate Economic Outcomes - Dual Wage Structures

The construction industry is estimated to account for 9 percent of all informal employment in the City of Los Angeles.³⁴ An estimated 26,100 City residents held jobs as informal construction workers in 2000, accounting for 39 percent of all workers employed in the industry.³⁵ Additionally, only 13 percent of the construction industry in the Los Angeles metropolitan area is unionized, accounting for 6 percent of all unionized workers in the area.³⁶ Given high rates of informal employment and low rates of unionization, the presence of income disparities in the industry becomes quite plausible.

These disparities are partially revealed in an examination of income differentials between native and foreign-born workers in two of the City’s largest construction occupations - construction laborers and carpenters. As shown in Figure 12, the greatest income disparities are at the lower (less than \$20,000) and higher ends (greater than \$30,000) of the income spectrum. Sixty-percent and 47 percent of foreign-born laborers and carpenters, respectively, earn less than \$20,000, while less than 30 percent of native laborers and carpenters have earnings this low. Conversely, at the higher end of the wage spectrum, over half of the native laborers and carpenters earned \$30,000 or more, while approximately 20 percent of foreign-born laborers and 30 percent of foreign-born carpenters have earnings this high.

Figure 12. Income Distribution for Construction Laborers and Carpenters by Nativity



Source: 2006 American Community Survey

Construction Worker Flows

The level and location of construction work is influenced by the housing market, location of construction employers, economic climate, and variations in regional growth rates. An examination of the commuting flows of construction workers living and working in the Los Angeles region helps us understand work-residence dynamics in this industry and identifies some of the economic losses that occur when workers are imported from other regions. To analyze labor flows of construction workers in and out of the City and County of Los Angeles, we utilized data from the Los Angeles Bureau of Contract Administration and the U.S. Census Bureau's 2006 American Community Survey.

City of Los Angeles

A sample of five ongoing City of Los Angeles Public Works construction projects with Project Labor Agreements (PLA) provides a snapshot of local construction employment on major public projects. Under a PLA, construction workers are required to receive prevailing wages as determined by the California Department of Industrial Relations, and each project has a goal of reaching at least 30 percent local employment. The prevailing wages for the top ten construction occupations found on these projects are listed in Table 13. With basic hourly rates ranging from a low of \$24 per hour to a high of \$35 per hour, construction workers are able to earn a sustaining return for their labor.³⁷ City of Los Angeles residents accounted for 30 percent of the total construction workers and 33 percent of the total hours worked on these projects, as shown in Table 14. Despite reaching local employment goals, two-thirds of the hours worked on these projects are completed by construction workers imported from areas outside City boundaries. Consequently, 36 percent of the total income generated by prevailing wages is leaking out of the City and into other Los Angeles County cities and another 31 percent is going to other counties.

Table 13. Prevailing Wage Rates for Top 10 Construction Occupations on City of Los Angeles Public Works Projects

Construction Occupations	Basic Hourly Rate	Total Hourly Rate
Carpenter	\$35.51	\$44.97
Laborer	\$24.63	\$38.16
Iron Worker	\$30.51	\$51.93
Cement Mason	\$28.00	\$44.58
Electrician	\$34.25	\$51.38
Sheet Metal Worker	\$35.16	\$49.66
Electrician	\$24.43	\$32.97
Plumber	\$30.88	\$49.47
Drywall Installer	\$35.51	\$45.20
Operating Engineer	\$33.65	\$49.62

Source: California Department of Industrial Relations; 2007-02 General Prevailing Wages (journeyman)

Table 14. Construction Workers and Hours Worked on 5 City of Los Angeles Public Works Projects

Project (% Complete as of Dec 2007)	<u>Construction Workers</u> (n=3,997)			<u>Hours Worked</u> (n=850,485)		
	City of LA Resident	LA		City of LA Resident	LA	
		County Resident (outside of City)	Non-LA County Resident		County Resident (outside of City)	Non-LA County Resident
New Police Headquarters (42%)						
Metro Detention Center (62%)						
Harbor Replacement Police Station (78.5%)	30%	41%	29%	33%	36%	31%
Hollenbeck Police Station (83%)						
Fire Station 64 (51%)						

Source: Los Angeles Bureau of Contract Administration

Living in Los Angeles County

The Census Bureau provides extensive county-level data about labor flows between counties and states. This provides a second frame of reference for understanding the extent to which workers from other regions are filling local construction jobs. In 2006, approximately 305,000 or 7 percent of Los Angeles County’s employed civilian workforce was working in the construction industry. The number of employed construction workers living in the County increased 55 percent between 2000 and 2006.³⁸ Despite a healthy housing market and a growing construction labor force, almost 20,000 construction workers living in Los Angeles County still found themselves unemployed.

Of the 305,000 construction workers living in Los Angeles County, 86 percent or 265,000 worked within its boundaries. Over 39,000 construction workers living in Los Angeles County found work in different counties throughout the State. Of these workers, 38 percent went to Orange County, 18 percent to San Bernardino County, 15 percent to Ventura County, and 14 percent went to Riverside County to work. Additionally, a little over 1,000 County residents worked in construction jobs outside of the State’s boundaries.

Working in Los Angeles County

There were over 308,000 construction workers employed in Los Angeles County in 2006. Again, 86 percent or 265,000 lived in the County. A majority of the remaining workers came from neighboring counties, with a small fraction coming from out of state. Fifty-eight percent of the 42,000 workers coming from other California counties resided in Orange County or San Bernardino County, each of which contributed over 12,000 workers to Los Angeles’ construction workforce. Another 17 percent lived in Riverside

Table 15. Place of Work for Construction Workers LIVING in LA County

Place of Work	# of Construction Workers	% of Construction Workers
California	304,308	99.65
Los Angeles	265,009	86.78
Other CA Counties	39,299	12.87
Orange	15,238	4.99
San Bernardino	7,226	2.37
Ventura	5,869	1.92
Riverside	5,331	1.75
San Diego	2,013	0.66
Kern	1,279	0.42
Santa Barbara	534	0.17
Fresno	417	0.14
Santa Cruz	363	0.12
Sacramento	339	0.11
Alameda	235	0.08
Santa Clara	131	0.04
San Francisco	109	0.04
Stanislaus	95	0.03
Contra Costa	71	0.02
Humboldt	49	0.02
Arizona	130	0.04
Hawaii	246	0.08
Mississippi	558	0.18
Texas	133	0.04
Total*	305,375	100

* Total only includes construction workers at work

Source: 2006 American Community Survey

Table 16. Employment Status – LA County Construction Workers

Employment Status	# of Construction Workers	% of Construction Workers
In Labor Force	333,068	89.5
Employed	313,441	94.1
Employed at Work	305,375	91.7
Employed not at Work	8,066	2.4
Unemployed	19,627	5.9
Not in Labor Force	38,928	10.5
Total	371,996	100

Source: 2006 American Community Survey

County and 13 percent lived in Ventura County.

A Net Importer of Construction Workers

The County’s construction workforce was comprised of 265,000 residents and over 43,000 imported workers from regions outside its boundaries. With the County exporting approximately 40,000 of its own construction workers to outside areas, Los Angeles was a net importer of construction workers by a margin of 3,000 workers. As a result, the economic benefits from 3,000 construction jobs were leaving the County, while almost 20,000 construction workers in the County reported being unemployed.

Opportunities in the Industry

In 2006, construction was a large and promising industry that accounted for 7 percent of jobs in the Los Angeles region. However, the fact that Los Angeles was importing 43,000 construction workers from outside regions with a resulting net loss of 3,000 jobs for local residents, while 20,000 construction workers living in the County remained unemployed, is troublesome. The trends in construction worker flows at the City and County level, though troubling, presents Los Angeles with the opportunity to reclaim some of the local construction jobs held by residents in other counties and capture some of the economic benefits leaving the area. Policies that support local hiring can help Los Angeles capitalize on its existing labor pool of construction workers, provide jobs to a number of unemployed residents, and prevent benefits from leaving the local economy.

Table 17. Place of Residence for Construction Workers WORKING in LA County

Place of Residence	# of Construction Workers	% of Construction Workers
California	307,401	99.69
Los Angeles	265,009	85.94
Other CA Counties	42,392	13.75
Orange	12,599	4.09
San Bernardino	12,010	3.89
Riverside	7,034	2.28
Ventura	5,514	1.79
Kern	2,682	0.87
Santa Barbara	867	0.28
San Diego	825	0.27
Alameda	264	0.09
Contra Costa	196	0.06
Stanislaus	116	0.04
Nevada, Plumas & Sierra	109	0.04
Solano	100	0.03
Sacramento	76	0.02
Arizona	238	0.08
Colorado	162	0.05
Florida	109	0.04
Indiana	111	0.04
Maryland	115	0.04
New Jersey	52	0.02
Ohio	105	0.03
South Carolina	58	0.02
Total	308,351	100

Source: 2006 American Community Survey

End Notes

¹ Paul Jargowsky, “Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s,” *The Brookings Institution* (2003); Paul Ong, “The Trajectory of Poor Neighborhoods in Southern California, 1970-2000,” *The Ralph and Goldy Lewis Center for Regional Policy Studies* (2003).

² Jargowsky, “Stunning Progress, Hidden Problems;” Ong, “The Trajectory of Poor.”

³ Janet Rothenberg Pack, “Poverty and Urban Public Expenditures,” *Urban Studies* 35, no. 11 (1998): 1995-2019.

⁴ Pascale Joassart-Marcelli, Juliet Musso, and Jennifer Wolch, “Fiscal Consequences of Concentrated Poverty in a Metropolitan Region,” *Annals of the Association of American Geographers* 95, no. 2 (2005): 336-356.

⁵ Jargowsky, “Stunning Progress, Hidden Problems.”

⁶ Ibid.

⁷ Ibid.

⁸ G. Thomas Kingsley and Kathryn Pettit, “Concentrated Poverty: A Change in Course,” *Urban Institute* (2003).

⁹ Ong, “The Trajectory of Poor.”

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Jargowsky, “Stunning Progress, Hidden Problems;” Ong, “The Trajectory of Poor.”

¹⁶ Ong, “The Trajectory of Poor.”

¹⁷ Jargowsky, “Stunning Progress, Hidden Problems.”

¹⁸ The use of 100 percent federal poverty level to identify those in poverty and the use of the 40 percent threshold to identify concentrated poverty are sometimes questioned because of: 1) undercounting the poor because the cost of living in California is higher than the nation, and 2) for using an arbitrary (40 percent) threshold to identify concentrated poverty. While we understand this critique, we use both thresholds because they are widely utilized by researchers studying concentrated poverty.

¹⁹ The following criteria were used to create Concentrated Poverty Neighborhoods (CPN): 1) contiguous census tracts where 40 percent or more of the aggregated households are below the federal poverty threshold and 2) identifiable areas that reflect neighborhood characteristics and boundaries created by major streets and freeways.

²⁰ While it is beyond the scope of this study, research examining the duration of residence in CPNs as the foreign-born population becomes more established would be beneficial.

²¹ The relationship of year of immigration to employment rates, number of hours worked when employed, and overall earnings is discussed in the Economic Roundtable report, *Hopeful Workers, Marginal Jobs* (2005), pages 9-11.

²² An examination of participation of CPN residents in day labor markets is likely to be informative but it is beyond the scope of this study.

²³ The US Census Bureau’s definition of severely over-crowded housing (1.51 or more people per room) was used to determine living conditions.

²⁴ Rent burden in CPNs is slightly higher than in the City as a whole. Rent is 40 percent or more of household income in 34 percent of the rental units in CPNs and 31 percent of the City's rental units.

²⁵ Census 2000.

²⁶ The education deficit index is the average of two evenly weighted indices calculated for 1) the percent of population with less than a high school diploma, and 2) the percent of population with less than a bachelor's degree.

²⁷ The average API score for CPNs is the mean API score for elementary, middle, and high schools whose attendance boundaries intersect CPN boundaries.

²⁸ The 16 to 19 year old at-risk index is the average of two evenly weighted indices calculated for 1) the percent of the total 16 to 19 year old population not in school, and 2) the percent of the total 16 to 19 year old population not in school and not working.

²⁹ The maternal health outcomes index is the average of two evenly weighted indices calculated for 1) the percent of births to mothers 19 years and younger, and 2) the percent of deliveries with complicating diagnoses.

³⁰ The public safety outcomes index is the average of two evenly weighted indices calculated for 1) violent crimes per 1000 persons and 2) property crimes per 1000 persons. LAPD precinct-level data was used to calculate crime figures for CPNs. Data for precincts that intersected CPN boundaries were averaged to calculate CPN figures.

³¹ Census 2000.

³² Amy Denissen and Vanesa Estrada, "Construction Apprenticeship Training in Los Angeles: An Examination of the California Apprenticeship Database," Working paper for the UCLA Institute for Labor and Employment (2006).

³³ Ibid.

³⁴ The U.S. Census Bureau is the most reliable source of population data, but anomalies between Census data and other official sources of population information suggest that the decennial census, annual American Community Survey (CPS), and monthly Current Population Survey produced by the Census Bureau undercount very poor segments of the population, including homeless residents and undocumented immigrants. The latter are estimated to make up 65 percent of the City's informal labor force.³⁴ Despite the best efforts of the Census Bureau, it is much harder to collect data from an "invisible" population than from the surrounding visible population. Some of the reasons why the CPS survey might leave out a segment of Los Angeles' informal workers include:

- Housing units occupied by many autonomous adult workers, the CPS refers to this type of error as "within-housing unit omissions"
- Housing that is not approved for human occupancy and not included in mailing lists or housing stock inventories, e.g., garages, the CPS refers to this as "frame omissions"
- Lack of housing stability because of frequent moves
- Absence of telephones
- Linguistic and cultural isolation, the CPS refers to this as "response error"
- Disinclination to provide information to government representatives, the CPS refers to this as "non-response error"

The U.S. Bureau of Economic Analysis' Regional Economic Information System, which is regarded as the federal government's best estimate of county-level employment, reports 24 percent more employed persons in Los Angeles County than the Current Population Survey (annual averages for

2001-2005 compared). This discrepancy represents the high side of the possible size of the undercount of informal workers in Los Angeles.

³⁵ Economic Roundtable, “Hopeful Workers, Marginal Jobs: LA’s Off-The-Books Labor Force,” (2005).

³⁶ Ruth Milkman and Bongoh Kye, “The State of the Unions in 2007: A Profile of Union Membership in Los Angeles, California, and the Nation,” UCLA Institute for Research on Labor and Employment (2007).

³⁷ Bureau of Contract Administration data indicates that 78 percent of the construction workers on these projects are at the journeyman level and 22 percent are apprentices. An estimate of 93 percent of the construction workers are unionized.

³⁸ Employment figure was calculated by finding the percent change between figures from the Census 2000 and the 2006 American Community Survey.