This white paper on workforce development is based on two sections, VIII and X, of the Los Angeles Economy Project report.

**Section VII**
Labor Market Strengths and Weaknesses
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**Section X**
Workforce Development Initiatives
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### Table of Contents

#### SECTION 1:
WORKFORCE INVESTMENT FOR ECONOMIC DEVELOPMENT IN LOS ANGELES ...............4
Introduction ..................................................................................................................4

#### SECTION 2:
LA'S RESIDENT WORKFORCE ......................................................................................6
Geography of the City's Economy ..................................................................................6
English Ability and Poverty ............................................................................................7
Education and Earnings .................................................................................................8
Industries of Employment for LA City Workers ..............................................................9
Occupations of LA City Workers ..................................................................................10

#### SECTION 3:
LA'S WORKFORCE TRAINING SYSTEM ......................................................................11

#### SECTION 4:
RECOMMENDATIONS FOR WORKFORCE INVESTMENT .............................................13
Human Capital Investments ............................................................................................13
Target Industries .............................................................................................................14
Introduction

Los Angeles was home to 4.0 million people and 1.9 million workers were employed within city boundaries in 2005. This large metropolitan economy is made up of many diverse geographic and industrial elements. Despite what appears to be a large and robust economy, workers and employers in Los Angeles still have challenges to overcome. In 2005 the unemployment rate for the City of Los Angeles was 5.8 percent; 111,600 people who wanted a job could not find one. Further, according to the 2000 U.S. Census, 24 percent of city residents worked at jobs that did not pay a living wage.

An examination of Los Angeles County’s recent economic history shows a region undergoing extensive change (Figure 1). Over the last 15 years, Los Angeles’ economy has endured two national recessions and the dismantling of aerospace, one of its key economic

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**Figure 1**

*Working-Age Population, Jobs and Employed Residents in LA County, 1983-2004*

sectors. The first recession lasted from July 1990 to March 1991 for the nation overall, but in Southern California was a period of economic contraction that lasted nearly 5 years as the Cold War era aerospace industrial sector was decimated (note the “Decline of Aerospace” in Figure 1). Net job loss for the county ended in 1994, largely because of service sector growth, including local government, health care, education, retail trade and restaurants, helping to stimulate economic expansion within the county through the year 2000. However, a second national recession occurred from March through November 2001, and since then the number of employer-reported jobs in Los Angeles has again fallen to levels below the high-water line of 1990.

Los Angeles County’s population continued to grow during this 15-year period of economic stagnation and change, from 5.9 million working-age residents in 1990 to 6.5 million in 2004. Yet where do these growing numbers of residents work if the official count of reported jobs was either stagnant or declining? Recent research suggests that roughly 16 percent of Los Angeles’s jobs are in the growing “off-the-books,” informal sector of the economy. (See the dashed line “Number of Employed Residents, Self-Reported” in Figure 1.) LA residents themselves reported working more than local employers reported hiring them, a gap that has widened significantly during the last 15 years and indicates rising informality.

Given this recent economic history, the City of Los Angeles is challenged to achieve long-term economic growth that includes a significant increase in the number of “on-the-books,” good paying jobs that offer opportunities for economic progress to workers and their families. Clearly, the City of Los Angeles is a desirable home for a steadily growing residential population, a diverse industrial economy and a hopeful, energized labor force of almost two million workers. Civic leaders and the region’s varied stakeholders are called upon to guide development of this economy in a way that provides sustaining jobs for those that want to work. Indeed, the long-term viability of the city and region depends upon having a large workforce of economically self-sufficient residents who live, work, and pay taxes that maintain the parks, schools, roads, bridges, health services, libraries, and other infrastructure that make up our shared “quality of life.”

This paper profiles the current state of Los Angeles’ workforce and workforce training system, identifying areas of strength and need, all drawn from the LA Economy Project. It concludes with detailed recommendations for urgently needed workforce investments. We recommend, for example, that the city enact programs for new job creation, effective worker training, and policies that bring existing-yet-unreported (and thus untaxed) jobs back into the formal economy. This paper can serve to inform public debate and policy discussions, and help prepare civic leaders and stakeholders to the growth in sustainable employment that Los Angeles urgently needs.

The City of Los Angeles is a desirable home for a steadily growing residential population, a diverse industrial economy and a hopeful, energized labor force of almost two million workers.
The City of Los Angeles’ almost two million workers make it the second largest labor market in the US after New York. LA’s workforce is remarkably diverse in its skills and educational attainment, language ability, earnings, and industry and occupation of employment. This section presents the most recent, detailed data on LA’s workers, with some information disaggregated to the city’s seven planning areas.

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Geography of the City’s Economy

A different mix of industries and potential employers is found in each area of Los Angeles. Figure 2 maps the location of all LA business establishments with two or more employees, color-coded by industry group. Some groups of businesses – such as retail stores, restaurants, doctor’s offices, and social services – tend to locate near consumers, and thus can be found throughout Los Angeles. However, many businesses are concentrated in specific areas of the city. For example, publishing, entertainment and telecommunications (“knowledge-based”), as well as finance, insurance and real estate businesses are most strongly concentrated in the Western and Central planning areas, along with the South Valley. Manufacturing is concentrated in downtown LA, in Wilmington, and along traditional railroad routes. These locations are zoned for manufacturing and related warehousing, shipping and logistics activities.
Where do Los Angeles’ Workers Live?

The residential distribution of LA’s employed workers by planning area is displayed in Figure 3. The South Valley and North Valley are home to the largest shares of resident workers in the city. The Harbor Area has the smallest proportion, at 5 percent. (Data is drawn from the U.S. Census, collected in April 2000.)

Increasingly, the official income standard that defines poverty has lost meaning as an indicator for a family or individual facing economic hardship. Research by organizations such as the California Budget Project and the National Economic Development and Law Center has demonstrated that a family can earn far more than the official poverty level yet remain in economic distress owing to the high costs of housing, child care and health care, among others.

English Ability and Poverty

Overall, 24 percent of LA’s residents were “working poor,” holding jobs that did not provide a living wage in 1999, as shown in Figure 4. Limited English proficient (LEP) workers made up 16 percent of employed workers. One-third or more of workers in South LA and East LA did not earn a living wage in 1999 and a quarter of workers in each area had limited English proficiency. There is a roughly northwest - southeast divide in the prosperity of Los Angeles’ resident workers. The Harbor Area, South LA and East LA have the smallest proportions of employed residents and the largest proportions of working poor and LEP workers.
Education and Earnings

There is large variation in the educational achievement of the city’s resident labor force. For the city overall, just over one-quarter of the resident workforce did not have a high school diploma (Figure 5). This translates into 408,917 adults. The distribution of this population is uneven among the planning areas. In West LA, only 6 percent of the resident workers do not have a high school diploma. In contrast, more that 40 percent of resident workers in South LA and East LA do not have a high school diploma.

It is well established that, on average, higher educational achievement is linked to higher earnings. For the city as a whole and for every planning area, higher education is related to higher wage-salary incomes.

What is the typical educational attainment for LA’s workers, and does this affect their earnings? It is well established that, on average, higher educational achievement is linked to higher earnings. The educational achievement and wage-salary incomes of the city’s working residents are displayed in Figure 6. For the city as a whole and for every planning area, higher education is related to higher wage-salary incomes. This finding holds true even for LEP workers, albeit with lower returns for education.
Industries of Employment for LA City Workers

The leading industry employers of LA City residents, as well as two sub-groups (non-citizen residents and working poor residents), are displayed in Figure 7. The leading industry employers of working residents include restaurants, construction, elementary and secondary schools, and motion pictures. Both working poor residents and recent immigrants are concentrated in restaurants, construction, private households, and cut and sew apparel manufacturing.

Many of the industries that pay the lowest salaries also employ the most workers.

The average 1999 earnings of workers in LA's 30 largest industries are displayed in Figure 8. Many of the industries that pay the lowest salaries also employ the most workers. These include private households, restaurants, services to buildings and dwellings and cut and sew apparel manufacturing. The average earnings of workers in these industries are well below the $20,134 threshold that represented 150 percent of the poverty level for a family of three. These industries may not provide wages that sustain larger families unless there is more than one wage earner in the family, or there are additional sources of income.
Occupations of LA City Workers

The leading occupations of LA residents are retail salespersons, secretaries and administrative assistants, cashiers, and sewing machine operators. Immigrants and the working poor are concentrated in similar occupations: sewing machine operators, maids, janitors, cooks, and cashiers. Figure 9 displays the leading occupations of LA’s working residents.

As with industries, the occupations that pay the lowest annual wages and salaries also employ the greatest number of residents.

The average 1999 earnings of workers in LA’s 30 largest occupations are displayed in Figure 10. As with industries, the occupations that pay the lowest annual wages and salaries also employ the greatest number of residents. People working as retail salespersons, the most prevalent occupation in the city, earned wages and salaries that were barely above the poverty level for a one-parent two-child family in 1999. Immigrants working as sewing machine operators and maids and house cleaners did not earn wages and salaries that would sustain a one-parent two-child family above 150 percent of the federal poverty level.
What education is available for Los Angeles workers? Education has a proven positive impact on worker earnings, so gaining access to vocational training or educational programs is a primary tool for economic advancement. The current job training system in Los Angeles is comprised of multiple training providers and approaches. The training providers include a small universe of public institutions (the nine-campus LA Community College system and adult education in the

Los Angeles Unified School District), privately operated schools (such as auto repair and nursing programs), and non-profit training programs (union occupational programs, community-based after-school programs), depicted in Figure 11. The training approaches range from literacy and ESL, to vocational training, work-orientation and employability, to on-the-job training and skills upgrading for low wage workers.

Figure 11
City of Los Angeles Workforce Training System

Source: Economic Roundtable, I-TRAIN Online Database: http://www.i-train.org
At the center of this workforce system is the City of Los Angeles’ Workforce Investment Board (WIB), which sets general policy goals in workforce development and distributes approximately $55 million in annual job training funds from the federal government. Among other things, the LA City WIB oversees a system of 18 walk-in centers, known as the WorkSource Centers (also shown in Figure 11). The system of WorkSource Centers was intended to bring job placement, counseling and training providers into a number of central locations, so that job seekers can obtain several services at one location.

Most recently, the Los Angeles WIB has begun focusing resources on training programs in “target industries” that provide career mobility for job seekers. Federal funding requirements specify that the WIB should identify and orient its programs around the region’s “demand occupations.” However, the targeted industry approach goes several steps further:

1. **Updated and flexible:** The WIB seeks to keep close tabs on local labor markets and periodically adjust training programs to reflect the hiring in the region;

2. **Sector expertise:** Taking time to understand an industry sector in detail and develop credibility among sector employers and community advocates; and

3. **Ties to employers:** Develop relationships with a number of employers who among them are likely to have sufficient job openings for workers who complete training.

Clearly, there is a tradeoff between a system that provides job search assistance to a large number of workers, and one that provides intensive training services and prospects for increased earnings to a smaller number of workers. The One-Stop Centers have moved job training closer to the first alternative. The federal Workforce Investment Act (WIA) requires some form of One-Stop system in each workforce investment area. However, recent interviews with training professionals in Los Angeles suggest that the job search assistance available to many workers in the WorkSource Centers is often short-term assistance, limited in many cases to instruction on the use of the automated labor exchange, typically leading to jobs that pay less than a living wage. Given the literacy and skills training needs set out in previous sections, it is appropriate to open discussion on the balance of resources between job search assistance and more substantive training.

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1 Lists of “Demand Occupations” are typically based upon which industries are likely to expand, the occupations hired by those industries, and comparative wages.
Human Capital Investments

The City of Los Angeles is challenged to help residents improve their skills and education, and to help employers expand their businesses and provide more sustaining jobs. The variety and number of industries in Los Angeles that offer promising jobs with good wages provide a range of opportunities for meeting this challenge. However, a critical limitation is the large number of workers with low levels of education and limited English proficiency. Key findings from the recently released LA Economy Project report about the city’s economy and practical opportunities for helping city residents find good jobs include:

- 1 in 6 workers in the City of Los Angeles are linguistically isolated.
- The Literacy Network of Greater Los Angeles reports that 53% percent of the county’s working-age population has low literacy skills.
- 1 in 4 workers in the city do not earn a living wage.
- While we can identify limited English proficient and working poor persons in every planning area, they are highly concentrated in East LA and South LA. In each of these two planning areas more than 1/4 workers report limited English proficiency and 1/3 of workers do not earn a living wage.
- Educational achievement is linked to higher earnings across all planning areas, even for adults reporting limited English proficiency.
- East LA and South LA have large adult populations (over 40 percent) without high school diplomas. For West LA this proportion is only 6 percent.

- Many of the largest industries also offer the lowest average wages including restaurants, services to buildings and dwellings, and cut and sew apparel manufacturing.
- Immigrants and the working poor tend to be concentrated in similar occupations because many of LA’s newest residents are struggling with poverty.
- Workers in Central LA, East LA, South LA, and the LA Harbor area typically earn salaries below the city average.
- The San Fernando Valley is home to the highest share of the city’s working residents - 36 percent of working residents live in the North and South Valley Planning areas.

Barring other barriers to employment the best path to a sustaining job is a good education. Increased levels of targeted job training and skill development will help more workers to find better jobs and ascend career ladders.

Implications

There is a rough northwest / southeast divide in the prosperity of LA’s resident workers. The majority of private sector jobs and many growing industries are located in the North Valley, South Valley, and West
LA planning areas. Alternatively, many working poor residents are concentrated in East LA and South LA. These two planning areas also have high concentrations of limited English proficient workers and adults without a high school diploma. Barring other barriers to employment the best path to a sustaining job is a good education. Increased levels of targeted job training and skill development will help more workers to find better jobs and ascend career ladders. In addition, many of LA’s working residents will benefit from improved English language proficiency. This, coupled with the high numbers of adults without a high school diploma in East LA and South LA, suggests that the city should implement broad educational initiatives targeted at adult learners. The City of LA Workforce Literacy Project is an important step in the right direction.

Additionally, increased services are needed to help working poor residents to gain access to employment opportunities in areas of the city outside of their local neighborhood.

**Target Industries**

Although the distribution of industries across Los Angeles is uneven, there are promising industry targets for economic growth and sustaining employment in every planning area of the city. The city overall has 76 industry targets with: 500 or more employees, stable or growing employment, good wages, and large numbers of entry-level jobs.

**Implications**

Industries that offer promising jobs development prospects should be targeted not only to help them expand and create new jobs in the region but also to connect them to workers with the greatest need for good jobs. Ideally, new job formation will occur in geographic areas of the city that are home to workers with the greatest need for good jobs.

A key to helping workers find and maintain good jobs in promising industries is to ensure there are enough jobs that offer entry-level jobs with opportunities for career advancement. Recommended actions include:

1. Provide targeted training and placement assistance to under-employed residents so that they can gain access to better jobs.
2. Train the staff of the City of LA’s Community Development Department and WorkSource Centers to use recent data on demand occupations, jobs with related skills, and client-specific job ladders for gaining access to promising occupations.
3. Implement strategies to accelerate job growth in the target industries.
4. Given the literacy and skills training needs set out in previous sections, allocate a larger share of resources for substantive training.