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Low-Pay Sectors Dominate U.S. and State Job Growth
In California, industries that are hiring pay 40% less than those that are
shrinking, a study finds. 01/22/2004

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Preview

California is being hit hard by a recent nationwide shift of jobs from high-paying industries to lower-paying sectors such as retail sales and tourism, a trend that doesn't bode well for the economy. A report by the Washington-based Economic Policy Institute paints a picture of a state and national economy in which employment growth is being driven largely by low-skilled service jobs.

Body

California is being hit hard by a recent nationwide shift of jobs from high-paying industries to lower-paying sectors such as retail sales and tourism, a trend that doesn't bode well for the economy, according to a report released Wednesday.

The report by the Washington-based Economic Policy Institute paints a picture of a state and national economy in which employment growth is being driven largely by low-skilled service jobs.

In Los Angeles, according to the preliminary results of another study, the shift is particularly pronounced because so many new jobs are in the "underground" cash economy of laborers who aren't counted in government statistics. These very low-wage workers – people who do yardwork or clean houses or wash dishes – might account for as much as 15% of all jobs in the metropolitan area, said Dan Fleming of the Economic Round Table, which is conducting its study for the city.

"It's really scary," Jack Kyser, chief economist for the Los Angeles County Economic Development Corp., said of the long-term implications. An economy increasingly dependent on lower-wage jobs will have a smaller tax base and see less consumer spending, checking economic growth and reducing the quality of public services and infrastructure, Kyser said.

Statewide, since the national recession officially ended in November 2001, the jobs that have been created are in industries that pay an average of 40% less than do those in which jobs have disappeared, the Economic Policy Institute said.

The institute describes itself as focusing on "the economic condition of low- and middle-income Americans and their families" and has been critical of the Bush administration's depiction of the economy.

By the institute's measure, only three other states – Delaware, Massachusetts and Wyoming – fared as badly or worse than California. Only two states, Nevada and Nebraska, saw wages in industries with job growth exceeding wages in sectors with job losses.

"We're losing important manufacturing jobs that have been available to support families, and gaining jobs that don't provide that opportunity," said Jeff Chapman, an economic analyst with the institute. "Now we see that the trend is worsening, even in the middle of a recovery."

For each state, researchers divided industries into those that were gaining in share of jobs and those that were losing share. They then compared average wages between the growing and shrinking industries.

Chapman said California lost 127,000 manufacturing jobs and 55,000 jobs in the information sector from November 2001 to November 2003. Meanwhile, the leisure and hospitality sector gained 48,000 jobs, retail trade grew by 32,000 and health and education, which includes day-care teachers and low-wage hospital crews, grew by 65,000.

Understanding the differences among states will take more analysis, said Michael Ettlinger, an economist who coauthored the report. What it clearly shows, he said, is that job quality is diminishing across the country. "These trends are real and anybody who looks at this data will see that this is happening," he said.

Ron Bird, an economist with the Employment Policy Foundation, an employer-funded research group in Washington, offered a different assessment of the numbers. He divides job growth by broad categories of occupation – such as manager or production worker – instead of by sector, as the Economic Policy Institute did.

By his measure, Bird said, the growth appeared to favor higher-paying jobs. He said the highest growth was in office and administrative jobs and in installation, maintenance and repair jobs, both of which pay higher-than-average wages.

"The jobs where the growth was had higher average earnings," said Bird, whose analysis looked only at full-time jobs and did not break down the data by state. "It's a matter of looking at the glass as half empty or more than half full."

For Joely Gardener of Carlsbad, a laid-off executive from the high-tech field, there's no question about which way to view the job market. She has been scanning employment postings since losing her post as a research director at France Telecom in Silicon Valley in August. After searching in California for five months, she recently expanded her job quest nationwide. Still, Gardener, who has a doctorate and is a licensed psychologist, doesn't have a single hot lead.

"I've been having a hell of a time finding the right job," she said. "I'm seeing an upswing in lower-level jobs in my field; they tend to be entry-level positions. I know other people in the same boat. What we're finding is that because of the glut of qualified professionals on the market, companies are being incredibly restrictive in how they look at people."

Her story is familiar to researchers focused on improving the local and state economies.

"Our industries are changing very rapidly," said Kyser of the L.A. County Economic Development Corp. "You see it in the papers every day, but we look at the headlines and tend not to think much about it."

Kyser said each local economy was unique, and that California had "special issues" such as runaway film production and high worker compensation costs that have driven away many good-paying jobs. Those need to be addressed in specific ways, he said. "This type of report starts the dialogue," he said.

The jobs picture may be improving in California, he added, as jobs in aerospace

and export industries grow.

At the Economic Policy Institute, Ettlenger said unless the low-wage job shift identified by the institute was reversed, the nation's wage base would shrink and individual workers would have an increasingly difficult time finding quality jobs.

"That means a declining standard of living," he said. "People rely on wages for their quality of life. If the nation's drifting into having lower wage levels, that's disturbing for everyone."

The trend could be slowed or reversed through changes in public policy, Ettlenger said, suggesting raising the minimum wage, attaching labor standards to trade agreements to discourage outsourcing of manufacturing jobs or encouraging unionization in low-paying sectors.

"Public investment could also increase productivity, which should boost wages," he said.