

Split Down the Middle

By - 3/29/2010

Los Angeles Business Journal Staff

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Ten years ago, the United Way of Greater Los Angeles released its Tale of Two Cities Report, highlighting the phenomenon of the working poor and suggesting that something should be done to create pathways out of poverty. Ten years later, United Way's follow-up report, A Tale of Two Cities: One Future, offers a new warning: It's no longer just the bottom that is slipping, but the middle class as well.

From the outside looking in, Los Angeles County has become an economic powerhouse. With close to 10 million people, if the county were a country, we would be the 19th largest economic power in the world. We lead the nation in startup businesses and enjoy a higher share of self-employed workers than the United States as a whole. More than 250,000 millionaires live in our county and more residents of all ages are completing college.

But, to paraphrase Charles Dickens, it's the best of times and it's the worst of times. Jobs in industries like manufacturing that moved families into the middle class are on the decline. We have 1.4 million residents living in poverty and one-third of our full-time workers earn \$25,000 a year or less. In the last 20 years, only the top 1 percent of wage earners has seen significant increases in pay: Average workers have actually seen income fall by nearly \$2 per hour in the past decade and we've seen the percentage of middle-class households earning between \$35,000 and \$99,000 decline.

In short, it's not just the poor anymore: Too many residents are not able to make ends meet. Issues we once thought were confined to lower-income households, such as excessive rent burdens, falling wages and uncertain health care, are creeping up through the middle of the income distribution.

Why should business care? We all know that a strong middle class is key. Less well-known is the corrosive effects of poverty on everyone. Building on earlier research, a recent study by the Federal Reserve Bank of Cleveland showed that in regions with high poverty, segregation and wide income disparities, overall economic growth is slower. This actually makes common sense: When you leave people behind, you come up short in the human capital and social consensus that are key to securing competitiveness and prosperity.

Shoring up the bottom, in short, is part of securing our middle class and our regional economy. And in Cleveland, Chicago and many other metropolitan regions, business leaders got the message and have taken active roles in both social and private investment, creating a new framework for giving that marries the imperatives of poverty reduction and economic sustainability.

Can we do this in Los Angeles? Some may argue that the problems are too big and intractable. But the recently released United Way report also reveals another important, and hopeful, fact: Where we've paid more attention – on such issues as homelessness, early care for pregnant women, AIDS prevention and child health insurance – we've actually made progress.

Competing in 21st century

We need to bring that degree of attention to preparing our region to compete in the 21st century workplace. We should focus on training people, particularly from disadvantaged communities, for jobs in growth industries like clean energy, technology and health care. We also need to align our focus on the key areas that can accelerate progress, specifically local sectors with jobs that cannot be easily moved to other countries, such as health care, entertainment, tourism, academia and utilities.

We will also need to reinvent our attitudes and our institutions. To make change, we'll need to build alliances with unlikely suspects. Consider the Energy Pathways program, a unique public, private and community-based collaboration. Led by South Bay Center for Counseling, the program was designed to recruit, train and place low-income residents of South Los Angeles and Wilmington into well-paying jobs provided by South Bay refineries

such as BP, Chevron, ConocoPhillips, ExxonMobil and Valero. In the last two years, 366 low-income residents have been trained and placed, resulting in a 45 percent average increase in income.

The Business Leaders Task Force on Homelessness, a United Way-led effort, is helping to build a consensus for permanent supportive housing that includes in-house social and medical services. The task force has already made waves – and history – when its chamber members lobbied in Washington, not just for the usual business concerns such as taxes and regulations, but to alter the rules that shortchange Los Angeles from getting its fair share of federal support for homelessness.

It is exactly this kind of unique collaboration that will make it possible for us to receive additional federal dollars. But while money is critical, funding alone will not foster long-term system changes across the region. We are a community of 10 million people, and given the magnitude of our issues, advocacy and public policy – including a strong business voice in favor of strategies to reduce poverty in our midst – that will help us to bring the necessary solutions to scale.

It's the right thing to do and it makes business sense. For the region to thrive, we can no longer be two L.A.s, a city of the "haves" and a city of the "have-nots." We have one future and if we are united and work together, we can make it a brighter one for all our residents.

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