

## Section III

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### **Los Angeles' Evolving Industry Structure: Economic Profile of Los Angeles City Planning Areas**





## Los Angeles' Evolving Industry Structure: Economic Profile of Los Angeles City Planning Areas

### Methodology

In Sections I and II of our analysis, we identified the structural shifts in Los Angeles County's economic base that changed its labor market and business environment over the past two decades. Los Angeles County has a diversified economic base, yet its economy is becoming increasingly polarized. The leading activities to fuel the county's economic engine over the past 20 years were high-wage scientific and knowledge-based industries on the one hand ("knowledge economies") and low-wage service, retail and light industrial positions on the other ("ethnic economies"). Moreover, Los Angeles County's low-end service occupations command lower wages than the manufacturing occupations they replaced. Differences in the wages for those at the top of the occupational pyramid and those at the bottom have widened, with wealth disproportionately shifting toward more highly educated and skilled workers.

Having found that Los Angeles County is characterized by an increasing economic and wage polarization, we decided to examine the extent to which local specialization of the city's economy has occurred and how it has altered skill requirements for the labor force. The impacts of technological change on the restructuring and regional economic integration of Los Angeles city's economy and its further ramifications on skill requirements in the modern workplace are profound.

This section of the analysis details industry characteristics of the city's seven planning areas (North Valley, South Valley, West Los Angeles, Central Los Angeles, East Los Angeles, South Los Angeles and Harbor) by focusing on each area's distinct industry profile. We analyze firm-level statistics for key variables such as the number of establishments, employees and sales revenues. This makes industrial statistics comparable among the Los Angeles' seven planning areas. Evaluation of each area's top 10 growing and declining industries measured by change in business count over the 1992-2002 decade also provides a basis for understanding the evolution of that area's industrial structures over those 10 years. The overall goal of this section is to provide an understanding of the important themes in the economic growth of Los Angeles city.

For the City of Los Angeles to form a comprehensive economic development strategy, it is critically important that the following two items be understood: 1. the economic performance of local industries in terms of establishments and the jobs they provide, and 2. the capabilities and skill set of the labor force that fills those jobs.

How important are small businesses to each planning area's economy? "The stereotypic image of employment in the United States, particularly in the manufacturing sector, pictures an increasing concentration of capital and labor opportunities in a few gigantic corporations with ever-increasing establishment size."<sup>1</sup> Yet most recent studies demonstrate that the majority of Americans work in relatively small establishments. Knowing the distribution of employment by employment size is valuable information for policy makers, especially if employment stability is related to establishment size and their wage structures.

There is no doubt that small businesses provide important jobs for each planning area's labor force. Given the importance of small businesses, fostering business activity in Los Angeles city by encouraging the formation of small firms and retaining existing ones should be a priority. This section also explores the role of entrepreneurship and new-business creation in the revitalization of the city's economy. With a detailed analysis of firm-level data by industry, by type of business ownership



(focusing on minority- or women-owned businesses), by revenue and by employment, we also are able to examine the “microclimate” of current business needs in particular industries and evaluate the strengths and weaknesses of small business enterprises across the seven planning areas. Our analysis uses a 10-year time frame spanning from 1992 to 2002. Each subtopic of this section also opens with a narrative overview that reflects region-specific influences of each planning area before we note exceptional economic patterns of change.

For various reasons, identifying economic trends in Los Angeles’ seven planning areas on a firm-level basis is a complex task. Since no public agency disseminates comprehensive information on all companies nationwide, our analysis utilizes a blend of data from Dun & Bradstreet (D&B) and various other government sources. In using Dun & Bradstreet datasets we are able to access the most current data available, allowing us to evaluate prevailing trends and pertinent changes in employment, wage patterns and sales revenues.

To obtain a better picture of the types of establishments that operate in the seven planning areas, we included a section within each planning area that looked at establishments based on ownership and class size. In those sections, we considered only those establishments for which local employment equaled total employment in the specific planning area (Empl. Total = Empl. Here). This exercise allowed us to exclude large companies headquartered elsewhere, but with a branch in the planning area, thus focusing on local businesses, which provide important employment opportunities for the local workforce and sales revenues for local government. We also took only those establishments with one or more employees into consideration.

Using such information sources poses its own challenges. Analysis of “discrete” portions of a planning area is difficult and data from Dun & Bradstreet can be narrow in scope and uneven in quality. The dataset has certain statistical limitations in consistency and quality. Certain information is simply not recorded or updated. Keeping in mind that “many companies, particularly in the services sector, are likely to be a couple of years old before they come to Dun & Bradstreet’s attention, and smaller ones may never be listed at all,”<sup>2</sup> we utilized different data sources to verify data accuracy and correct statistical inconsistencies. In addition, although our datasets for the years 1992 and 2002 are drawn from Dun & Bradstreet, the total list of SIC codes (SIC 01-97) in 1992 is slightly different when compared to the total list in the 2002 dataset. For instance, elementary and secondary school services (SIC 8211) are not listed in the 2002 D&B dataset, but do appear in the 1992 dataset.

Despite the acknowledged limitations in the Dun & Bradstreet database, by considering these shortcomings and comparing the Dun & Bradstreet datasets to other reliable data sources, we are confident that our analysis on Los Angeles’ seven planning areas provides a thorough and meaningful view of relevant economic trends.



## City of Los Angeles: Establishment Trends by Planning Areas

### San Fernando Valley

The San Fernando Valley is home to 1.7 million people. It is encircled by five ranges of mountains and hills forming a distinct basin. The San Fernando Valley, comprised of the North Valley and South Valley, is large enough to hold the territories of San Francisco, Boston and Washington, D.C., with room left over.

The San Fernando Valley and the City of Los Angeles grew as neighbors for more than a century before they were united in 1915.

### North Valley

#### Overview of the North Valley Planning Area

The North Valley's economy improved over the last decade, largely due to its strength in service industries. Services accounted for approximately 54 percent of total job growth in the area. Service activities that dominated the North Valley's economic growth include health services, business and management consulting, local trucking services, social service agencies and religious establishments, beauty shops, restaurant services, and motion picture and video production. With the exception of its entertainment sector, the majority of these companies serviced the North Valley's local demand, limiting their economic impact beyond the area.

Within the services sector, motion pictures alone accounted for almost 370 businesses that provided high-paying jobs in 2002. The entertainment industry plays an important role in the North Valley's economy, not only in terms of export, but also in terms of its spillover effects on other industries. The presence of the entertainment industry in the region translates into a direct boost to industries such as retail trade and manufacturing.

Weakness in manufacturing challenged the North Valley in its struggle for economic growth. Almost 100 industrial machinery companies ceased operation in the area between 1992 and 2002. Manufacturing employment declined by 5 percent or 2,673 jobs. Technological advances and increasing cost pressures led companies to outsource a larger share of their manufacturing activity to lower-cost states and countries. Still, manufacturing plays an important role in the North Valley's economy providing 25 percent of the area's jobs and a 12 percent share of total businesses.

Within the finance, insurance and real estate industry, consolidation of federal savings institutions and national commercial banks resulted in a decrease in the number of bank branches in the area. On the other hand, strong residential housing construction activity contributed to the growth of the businesses engaged in real estate-related activities.

A striking feature is the demographic shift experienced in the North Valley toward a predominantly Hispanic population. Due to this growth in the Hispanic population, mortgage companies are increasingly reaching out to the Hispanic market. Low interest rates helped fuel a surge in the North Valley's construction activity.



## Profile of the North Valley Planning Area

The North Valley encompasses the districts of Arleta-Pacoima, Chatsworth-Porter Ranch, Granada Hills-Knollwood, Mission Hills-Panorama City-North Hills, Northridge, Sun Valley-La Tuna Canyon, Sunland-Tujunga-Lake View Terrace-Shadow Hills, East Los Angeles, Tuna Canyon and Sylmar.

In 2000, the North Valley was home to 651,944 residents growing 12 percent since 1990. Statistics from the City of Los Angeles show that Hispanics accounted for 51 percent of the area's population, up from 39 percent in 1990, followed by Whites at 32 percent, down from 47 percent in 1990. Nationally, the U.S. Census Bureau estimated that in 2000, persons of Hispanic or Latino origin represented approximately 12.5 percent of the country's overall population.<sup>1</sup>

Limited English-speaking capability plagues many Hispanic families preventing them from participating in educational programs, obtaining higher paying jobs and fully accessing social and health services. The number of private social service agencies and church groups in the North Valley increased in response to the additional demand for social services from the area's growing Hispanic population.

In 2000, approximately 78 percent of the North Valley's population was under 50 years of age, up from 69 percent a decade earlier. On average, this abundant and growing supply of labor was less educated than the U.S. national and Los Angeles County averages. As a consequence, between 1990 and 2000, the North Valley generated predominantly low-skill, low-wage jobs, limiting the area's economic growth. The strong base of mostly Hispanic workers, often with limited English-language proficiency, increasingly branched into businesses of their own generating tremendous small business growth in the area.

Various North Valley institutions of higher education, most notably the California State University Northridge, confer degrees in a number of subject areas. These academic institutions play an important role in supporting the area's pool of scientists and knowledge-based workers. In 2000, approximately 21 percent of the North Valley's population over 24 years of age had a high school diploma and 14 percent earned a BA/BS degree.<sup>2</sup>

The quality of life in the North Valley is supported by several museums and cultural sites, including the Chatsworth Museum and Bolton Hall in Tujunga. The North Valley benefits from a centralized location. "With much of the growth now taking place on the periphery, the geographic center of gravity in the region is no longer downtown, but in the Valley, which sits conveniently between the two."<sup>3</sup>

## Industry Profile

The cost of doing business in the North Valley is high. Indeed, the area's business climate makes it less competitive in comparison to alternatives, such as nearby cities of Palmdale and Calabasas. An example of the negative impact of the North Valley's unfavorable business climate is the relocation of Senior Systems Technology, a manufacturer of electronic circuit boards, from Chatsworth to Palmdale in 1997. Several factors played a role in the relocation decision. Space availability, cost efficiency, the area's highly trained work force, incentives provided by the city's economic development office and the presence of major contractors for the Department of Defense, made Palmdale a better place to do business.



Among the City of Los Angeles' planning areas, the North Valley generated the lowest average sales revenues per business in 2002. This is attributable to the high number of small businesses that cater to the local market and thus do not generate high sales revenues. High business costs also limited manufacturing and consequently, international trade. Exports were greatest in the area's entertainment industry.

From 1992 to 2002, the number of businesses in the North Valley grew by 3,328 or 20 percent, generating a 4 percent increase in employment or 7,720 jobs. Details about Table 1 are provided in the following discussion of the individual sectors.

**Table 1-III**

North Valley - Economic Overview													
Sector	SIC	1992					2002					1992-2002 % Growth	
		Business Count	Sales Rev. (\$Mil.)	Emp.	Estab.	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.	Estab.	Emp.	Business	Emp.
Services	SV	5,970	2,989	59,123	35	31	7,781	3,105	63,300	38	32	30	7
Retail Trade	RT	3,312	2,699	29,866	20	16	3,819	2,662	31,033	19	16	15	4
Construction	CN	1,660	1,611	12,864	10	7	1,914	1,474	13,644	9	7	15	6
Finance, Insurance & Real Estate	FI	1,100	1,341	8,272	6	4	1,425	651	11,238	7	6	30	36
Transp. Commun & Public Utilities	TU	424	494	5,965	2	3	690	636	6,861	3	3	63	15
Wholesale Trade	WT	1,807	4,565	19,540	11	10	1,948	4,429	19,386	10	10	8	-1
Mining	ML	11	3	32	0	0	17	24	131	0	0	55	309
Agriculture, Forestry & Fishing	AF	234	73	2,251	1	1	323	98	2,713	2	1	38	21
Manufacturing	MF	2,466	5,941	52,801	15	28	2,395	5,830	50,128	12	25	-3	-5
<b>Total</b>		<b>16,984</b>	<b>19,717</b>	<b>190,714</b>	<b>100</b>	<b>100</b>	<b>20,312</b>	<b>18,908</b>	<b>198,434</b>	<b>100</b>	<b>100</b>	<b>20</b>	<b>4</b>

Sources: D&B, Milken Institute

## Services

Among the major industrial categories shown above, the strongest gains in the North Valley business count occurred in the services sector. Services demonstrated a robust 7 percent growth rate in employment from 1992 to 2002, providing more than one-third of the area's total jobs, the largest proportion of any sector. Services accounted for 7,781 or 38 percent of the North Valley's total businesses, 63,300 or 32 percent of the area's total employment and contributed an additional \$116 million in revenues, creating additional wealth for the region's economy.

The services sector includes both high-skilled, high-paying, knowledge-based jobs and low-skilled, low-wage jobs. However, growth in low-wage services jobs was more substantial.

- Within the service sector, health and health care services employment grew from 12,209 in 1992 to 17,398 in 2002 and added more than 220 businesses, bringing the total number to 972 in 2002.
- Services such as personal services, automotive repair, social services, engineering, accounting, research management and related services accounted for 25 percent of the North Valley's total number of service firms in 2002.
- More than 350 companies in the entertainment industry provided high-paying jobs to upwards of 2,500 workers in 2002. The North Valley's entertainment industry generates high sales revenues from foreign export and domestic sales. Companies with a significant presence in the motion picture industry include Viacom Productions and Goalies Entertainment, both located in Chatsworth.
- Membership organization establishments, most notably religious organizations and civic, social and fraternal associations, almost doubled, adding 840 new jobs from 1992 to 2002.
- Amusement and recreational services added 140 new businesses and provided nearly 5,200 additional jobs from 1992 to 2002.



- The number of new high-tech service businesses expanded dramatically, growing from 590 establishments in 1992 to 985 establishments in 2002. Telecomm services exhibited remarkable growth over that period. Approximately 79 percent of the area's telecomm services employed less than 10 workers in 2002, evidence that small business development drove the North Valley's economic development.
- In 2002, more than 80 North Valley companies dedicated to research and testing services generated more than \$43 million in sales. During the past 10 years, the North Valley attracted nine new businesses in commercial nonphysical research activities such as educational research, market analysis and business analysis. The North Valley also gained a significant base of technology and information-related industries, indicating that the area has a competitive base of knowledge workers.

### **Retail Trade**

In the past, North Valley residents spent their incomes largely outside the area. Substantial numbers shopped downtown or in Hollywood, in areas that had a larger concentration and variety of shops. More recently, the area's growing population, which increased 12 percent from 1992 to 2002, accelerated residential home construction and fueled gains in the North Valley's increasingly self-sufficient retail sector.

Retail trade added over 1,800, or 15 percent, more businesses but accounted for a somewhat smaller share of the North Valley's overall industrial composition – 19 percent overall in 2002 down from 20 percent in 1992. Eating and drinking places was the largest retail trade employer in the North Valley, ranking second when measured by business count.

### **Construction**

The North Valley's growing population propelled commercial and residential construction, creating jobs and fueling growth in furniture, furnishing, equipment, building material, hardware and garden supply retail sales. A 15 percent growth surge in new construction businesses provided employment to an additional 780 construction workers resulting in employment growth of 6 percent. Since many undocumented workers filled the worker shortage to meet the demand for new houses as well as office and industrial buildings, the employment growth figure was smaller than it otherwise would have been.

Low interest rates combined with mortgage companies that strategically reached out to the North Valley's growing Hispanic market helped fuel the area's construction activity. Among the top 10 industries for job creation, mortgage banker and correspondence jobs demonstrated the area's strongest increase in job growth – more than 707 percent. The residential buying momentum by Hispanics was fostered by down payment assistance programs and government assisted loan programs. In addition, a number of the North Valley's communities earned eligibility for government programs lifting much of its predominantly Hispanic population – 18 percent working poor in 2000<sup>4</sup> – to higher income levels.

### **Finance, Insurance and Real Estate**

Almost 300 additional finance, insurance and real estate companies, representing a 30 percent increase, were established between 1992 and 2002 to serve the North Valley's residents locally. This industrial sector posted a much higher share of total employment – 5.7 percent in 2002 – than in 1992 when it was 4.3 percent. Consolidation of federal savings institutions and





national commercial banks over the 1992-2002 decade led to a decrease in the number of bank branches in the North Valley region while the number of businesses engaged in real estate-related activities increased.

## **Manufacturing**

Manufacturing accounted for more than 25 percent of the North Valley's total employment in 2002 and provided over 50,000 jobs in close to 2,400 companies. However, manufacturing employment throughout the North Valley endured a sustained decline over that decade, losing 71 companies (from 2,466 in 1992 to 2,395 in 2002) and shedding upwards of 2,670 jobs.

Technological advances and global competition forced many manufacturing job and business losses. Systemic changes have permanently lowered employment in industrial machinery manufacturing and aerospace, among other industries. The number of businesses engaged in industrial machinery manufacturing in the North Valley declined by almost 100 firms from 1992 to 2002.

Manufacturing, however, continues to play a vital role in the local economy with the majority of companies engaged in industrial and commercial machinery manufacturing, as well as printing, publishing and allied industries manufacturing. The entertainment industry has increased advertising specialties and sign manufacturing, adding 34 more companies, while 16 additional businesses engaged in food and kindred products manufacturing in the area. This business growth has helped offset declines in apparel and other finished products manufacturing, which lost 28 companies. Employment gains in high-tech manufacturing also mitigated these declines.

The San Fernando Valley was the heart of the aerospace manufacturing sector prior to federal defense spending cuts. It was also one of the Los Angeles County area industries most severely impacted by the 1990 recession. Aerospace-related defense companies, such as Litton, Bendix and Marquardt decreased their employment or simply moved out of the North Valley.

## **Distribution of the North Valley's Business Establishments**

Figure 1 displays the industries that had a 5 percent or greater share of the total number of business establishments in the North Valley in 2002. The business services industry (a 2-digit subcomponent of the overall service sector) accounted for almost 9 percent of the area's total number of companies. These businesses primarily serve the area's local demand and correspondingly, do not have a significant economic impact on other regional industries in the form of ripple effects.



**Figure 1-III**  
**North Valley - Leading Industries**  
 Share of Total Establishments, 2002

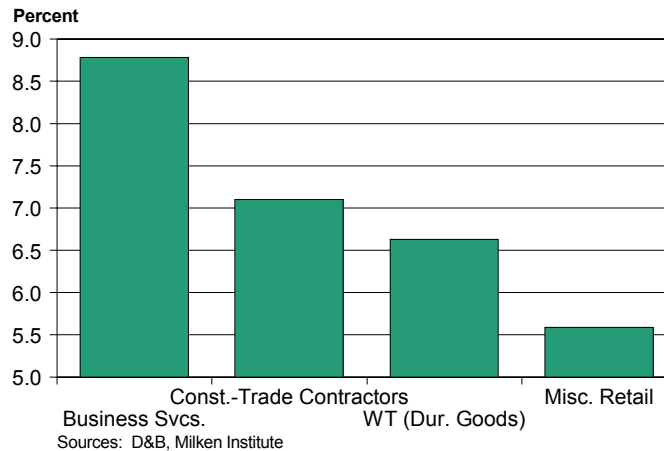


Table 2 shows the top 10 growing and declining industries in the North Valley from 1992 to 2002 in terms of number of businesses. Note the service sector gains and manufacturing sector declines.

**Table 2-III**  
 North Valley - Top 10 Growing & Declining Industries  
 Ranked by Change in Business Count, 1992-2002

Industry	SIC	1992			2002			Change in Business Count	1992-2002 % Growth		
		Business Count	Sales Rev. (\$Mil.)	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.		Business Count	Sales Rev.	Emp.
Miscellaneous Business Services	7389	424	232	4,262	699	281	4,989	275	65	21	17
Religious Organizations	8661	216	42	1,205	333	54	1,749	117	54	29	45
Single-Family Housing Construction	1521	158	77	730	259	98	878	101	64	26	20
Beauty Shops	7231	296	21	1,065	392	26	1,386	96	32	27	30
Business Consulting Miscellaneous	8748	74	40	392	169	57	798	95	128	43	104
Management Consulting Services	8742	107	46	347	200	62	658	93	87	34	90
Eating Places	5812	646	126	6,605	736	134	7,300	90	14	7	11
Motion Picture & Video Production	7812	72	99	412	155	63	685	83	115	-37	66
Local Trucking W/O Storage	4212	63	51	659	142	64	863	79	125	27	31
Miscellaneous Retail Stores	5999	217	114	1,307	290	131	1,479	73	34	14	13
Industrial Machinery Manufacturing	3599	368	268	3,067	274	230	2,466	-94	-26	-14	-20
Commercial Printing, Lithographic Mfg	2752	174	146	1,425	132	139	1,284	-42	-24	-5	-10
Developers	6552	49	58	205	20	15	70	-29	-59	-74	-66
Womens Clothing Stores	5621	107	19	463	81	12	427	-26	-24	-35	-8
Nonresidential Building Operators	6512	67	16	329	47	14	291	-20	-30	-14	-12
Women's & Misses' Outerwear Mfg	2339	38	69	1,889	19	42	595	-19	-50	-40	-69
Women's & Children's Clothing	5137	47	72	325	28	49	181	-19	-40	-33	-44
Plastering, Drywall & Installation	1742	67	103	1,175	49	70	917	-18	-27	-32	-22
Masonry, Other Stonework	1741	53	24	395	36	37	292	-17	-32	53	-26
Legal Services	8111	170	41	494	156	30	396	-14	-8	-26	-20

Sources: D&B, Milken Institute

North Valley's high-tech services and high-tech manufacturing together accounted for over 18,585 employees in 2002, 9 percent of the North Valley's total workforce. The area's growing high-tech companies, which accounted for 6 percent of the area's businesses, generated high-paying jobs. Two high-tech companies located there, Soligen Technologies, Inc. in Northridge and MRV Communications, Inc. in Chatsworth, were among the 10 fastest-growing companies in Deloitte & Touche's 1999 "Los Angeles Technology Fast 50."<sup>5</sup> Electronic components and accessories, aircraft and parts led the North Valley's employment growth within high-tech manufacturing, excluding SIC code 3728, aircraft parts and equipment, in which employment went down.



## Startup Establishments, 2002

The North Valley lacks a truly vibrant entrepreneurial culture when compared to other planning areas in Los Angeles city such as the South Valley, West and Central Los Angeles. In 2002, the North Valley created just 88 new businesses per 100,000 people. The data expressed in Table 3 reflects some of the entrepreneurial energy that drove the North Valley's economy.

**Table 3-III**  
**North Valley - Top 5 Business Startups, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>	<b>% Share of Total Business Startups</b>
Business Services Misc	7389	30	3	65	5%
Eating Places	5812	17	2	59	3%
Local Trucking W/O Storage	4212	14	1	22	2%
Motion Picture & Video Prod	7812	10	4	47	2%
Management Consulting Svcs	8742	10	5	68	2%
<b>Total Business Startups</b>		<b>573</b>			

Sources: D&B, Milken Institute

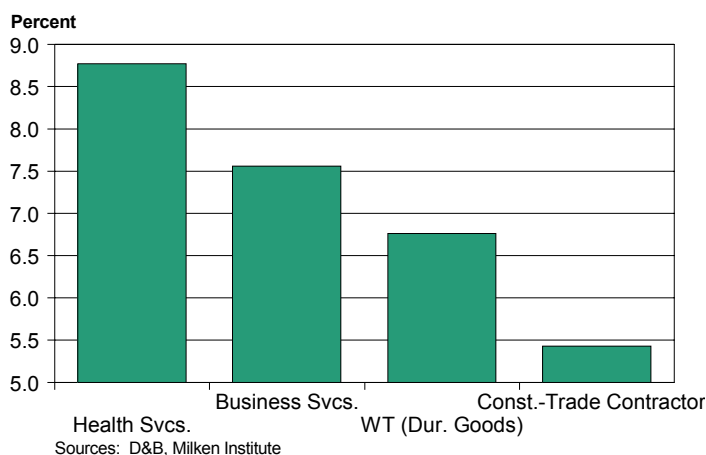
In 2002, many new businesses were created in the miscellaneous business services industry, e.g., swimming pool and hot tub services, personal service agents and brokers, accounting for 5 percent of the area's total startups. Startups in the motion picture and video production industry accounted for 2 percent of the North Valley's total startups that year. These results suggest that North Valley entrepreneurship is closely related to small-size business development.



## Employment Opportunities

In 2002, the North Valley’s leading 2-digit SIC industries that comprised 5 or more percent of the area’s total employment were health services, business services, wholesale trade of durable goods and construction–special trade contractors. This is illustrated by Figure 2.

**Figure 2-III**  
**North Valley - Leading Industries**  
Share of Total Employment, 2002



The top 20 4-digit SIC industries in the North Valley ranked by employment in 2002 are shown in Table 4. That year, 736 companies in the eating places industrial classification (SIC 5812) employed 7,300 workers and generated \$134 million in sales. Almost 6,000 people worked in just 12 general medical and surgical hospitals, the second largest employer in the area. Miscellaneous business services (such as interior design, swimming pool and hot-tub services) in the North Valley in 2002 employed close to 5,000 workers, followed closely by the fourth-ranked employer, colleges and universities, which employed 4,575 workers in just 10 companies that generated approximately \$2 million in revenues for the North Valley.

Table 5 ranks the top 10 North Valley industries that generated the most jobs from 1992 to 2002. Colleges and universities led the area’s job creation, employing 3,575 people, 358 percent more than 10 years prior. Offices and clinics of medical doctors as well as general medical and surgical hospitals, both industry subsections of the overall health services sector, generated the second- and third-largest employment growth in the North Valley from 1992 to 2002. Triple-digit percentage employment gainers were general services, including mortgage bankers and correspondents, detective and armored car services, and landscape counseling and planning.

Wage statistics show that the top 10 job creation industries showed only modest wage growth from 1992 to 2002. The North Valley has created too few high-wage employment opportunities in the area. This will impact the overall complexion of the area’s future economy.



**Table 4-III**  
**North Valley - Top 20 Industries**  
**Ranked by Employment, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$, Mill.)</b>	<b>Emp.</b>
Eating Places	5812	736	134	7,300
General Medical & Surgical Hospitals	8062	12	62	5,942
Business Services Misc	7389	699	281	4,989
Colleges, Universities & Prof. Schools	8221	10	N.A. *	4,575
Offices, Clinics of MDs	8011	345	166	4,539
Grocery Stores	5411	212	173	3,481
Toilet Preparations Manufacturing	2844	33	398	2,736
Industrial Machinery Manufacturing	3599	274	230	2,466
Department Stores	5311	30	N.A. *	2,415
Electrical Work	1731	260	252	2,299
Real Estate Agents & Managers	6531	310	117	2,287
Insurance Agents, Brokers & Service	6411	319	186	1,975
Semiconductors & Related Devises	3674	13	422	1,960
Plastics Products	3089	66	132	1,791
Religious Organizations	8661	333	54	1,749
Nondurable Goods	5199	166	389	1,733
Plumbing, Heating, Air-Cond. Contractors	1711	306	211	1,716
Residential Care	8361	88	71	1,624
Aircraft	3721	3	115	1,570
Nursing & Personal Care	8059	37	27	1,560

Sources: Dun&Bradstreet, Milken Institute

\*Note: Data not available

**Table 5-III**  
**North Valley - Top 10 Industries**  
**Ranked by Job Creation, 1992-2002**

<b>Industry</b>	<b>SIC</b>	<b>Emp.</b>		<b>Job Creation 1992-2002</b>	<b>% Emp. Growth</b>	<b>% Share of Total Job Creation</b>
		<b>1992</b>	<b>2002</b>			
Colleges, Universities	8221	1,000	4,575	3,575	358	9
Offices, Clinics of MDs	8011	2,302	4,539	2,237	97	6
General Medical & Surgical Hospitals	8062	4,795	5,942	1,147	24	3
Mortgage Bankers & Correspondents	6162	161	1,299	1,138	707	3
Detective & Armored Car Services	7381	308	1,316	1,008	327	3
Insurance Agents, Brokers & Services	6411	1,066	1,975	909	85	2
Miscellaneous Business Services	7389	4,262	4,989	727	17	2
Eating Places	5812	6,605	7,300	695	11	2
Semiconductors & Related Devices	3674	1,285	1,960	675	53	2
Landscape Counseling & Planning	0781	252	813	561	223	1
<b>Total Job Creation</b>				<b>38,234</b>		

Sources: D&B, Milken Institute



Employment losses over the decade were greatest in women's and misses' outerwear manufacturing and retail activity within department stores.

**Table 6-III**

**North Valley - Top 10 Industries  
Ranked by Job Loss, 1992-2002**

<b>Industry</b>	<b>SIC</b>	<b>Emp.</b>		<b>Job Loss 1992-2002</b>	<b>% Emp. Growth</b>	<b>% Share of Total Job Loss</b>
		<b>1992</b>	<b>2002</b>			
Womens' & Misses' Outerwear	2339	1,889	595	-1,294	-69	6
Department Stores	5311	3,202	2,415	-787	-25	4
Industrial Machinery	3599	3,067	2,466	-601	-20	3
Lawn & Garden Svcs	0782	1,266	741	-525	-41	2
Products of Purchased Glass	3231	1,321	802	-519	-39	2
Blank Books & Looseleaf Binders	2782	759	258	-501	-66	2
Plastics Products	3089	2,218	1,791	-427	-19	2
Hospital & Medical Service Plans	6324	462	55	-407	-88	2
Costume Jewelry	3961	434	32	-402	-93	2
Industrial Supplies	5085	1,441	1,066	-375	-26	2
<b>Total Job Loss</b>				<b>-22,438</b>		

Sources: D&B, Milken Institute



## Industries by Sales Revenues

Attractive consumer incentives helped the North Valley's new and used car dealer industry become the area's greatest revenue producer in 2002. However, average sales revenues per business count within this industry were cut almost in half, declining from \$33 million in 1992 to \$17 million in 2002. Thus, increased business formation did not translate into increased individual business sales revenues.

Semiconductor and related devices manufacturing businesses increased their aggregate sales revenues to \$422 million by 2002. The industry's ratio of average sales revenues per business increased from \$27 million in 1992 to \$32 million in 2002. Table 7 lists the North Valley's top 20 revenue generating business establishments in 2002.

**Table 7-III**  
**North Valley - Top 20 Industries**  
**Ranked by Total Sales Revenues, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
New/Used Car Dealers	5511	42	721	1,183
Semiconductors & Related Devices Mfg	3674	13	422	1,960
Toilet Preparations Manufacturing	2844	33	398	2,736
Nondurable Goods Misc	5199	166	389	1,733
Plastic Foam Products Manufacturing	3086	5	379	133
Motor Vehicle Supplies & New Parts	5013	114	327	1,187
Electrical Apparatus Equipment	5063	62	326	965
Bus Services Misc	7389	699	281	4,989
Electrical Work	1731	260	252	2,299
Electronic Parts & Equipment	5065	112	251	1,279
Industrial Machinery Manufacturing	3599	274	230	2,466
Durable Goods Misc	5099	82	217	685
Medical & Hospital Equipment	5047	65	214	494
Home Furnishings	5023	70	213	1,010
Lumber & Other Building Materials	5211	70	212	1,439
Plumbing, Heating, Air-Cond. Contractors	1711	306	211	1,716
Industrial Supplies	5085	81	201	1,066
Insurance Agents, Brokers & Services	6411	319	186	1,975
Computers, Peripherals & Software	5045	62	177	626
Grocery Stores	5411	212	173	3,481

Sources: D&B, Milken Institute

## Business Establishments by Ownership and Employment Class Size, 2002

Small businesses comprised almost 82 percent of all companies in the North Valley in 2002. Over 15,000 of these establishments employed more than 43,000 workers (24 percent of the local workforce) and generated upwards of \$3.7 billion in sales revenues. In contrast, the 246 large companies in the area employed more than 57,000 workers (32 percent of the area's workforce) and generated over \$2.4 billion in sales revenues.



Table 8 below shows that over 1,500 minority-owned businesses accounted for approximately 8 percent of North Valley's total business base and 7 percent of the area's total sales revenues. Minority-owned businesses had the greatest share of their establishments in services (37 percent), followed by retail trade (21 percent).

**Table 8-III**  
**North Valley - Establishments by Ownership**  
**(EmpHere = EmpTotal), 2002**

	<b>Business Count</b>	<b>Emp.</b>	<b>Sales Rev. (\$Mil.)</b>	<b>% of Total Establ.</b>
Total	19,271	178,379	12,456	100
Minority-Owned	1,570	9,789	899	8
Women-Owned	2,464	13,225	1,068	13

Sources: D&B, Milken Institute

Over 2,400 women-owned businesses (13 percent of all establishments) provided more than 13,000 jobs and generated almost \$1.1 billion in revenues in 2002, approximately 9 percent of the area's total sales revenues. In 2002, women-owned businesses in the North Valley were primarily engaged in services and retail trade (44 percent and 20 percent, respectively).

**Table 9-III**  
**North Valley - Establishments by Employment Class Size**  
**(EmpHere = EmpTotal), 2002**

	<b>Emp. = 100</b>		<b>Emp. 10 to 99</b>		<b>Emp. 1 to 9</b>		<b>Total # of Establ.</b>
	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	
Total	246	1.3	3,244	16.8	15,781	81.9	19,271
Minority-Owned	9	0.0	221	1.1	1,340	7.0	1570
Women-Owned	12	0.1	302	1.6	2,150	11.2	2464

Sources: D&B, Milken Institute

## Concluding Points

Real estate development and construction are a major and enduring part of the North Valley's economy. From 1992 to 2002, construction permit issuances increased. Factors include rebuilding after the 1994 Northridge earthquake, a huge middle class influx into the area and low industrial vacancy rates. Redevelopment of existing properties previously occupied by the aerospace industry, which relocated out of the area, also prompted growth in North Valley's construction activity. As a result, nearly 30 percent of Los Angeles' construction businesses concentrated in the North Valley.

Development projects such as Granada Hills Town Center and the Porter Ranch community (including the Porter Ranch Town Center) fueled growth not only in construction, but also in the services, retail, finance, insurance and real estate sectors, all of which experienced strong employment and business gains over the decade.

The number of companies engaged in landscape counseling and planning services in the North Valley tripled from 1992 to 2002. Homes with big yards are obtainable there at competitive prices and homeownership rates are high, increasing the demand for lawn mowing and landscaping services. Its proximity to affluent neighborhoods such as South Valley, West Los Angeles, Calabasas, West Hills and Burbank gives the North Valley a tactical location advantage for these services.





Next to construction activity, the true strengths and assets of the North Valley were derived from the entertainment industry. The entertainment industry played a fundamental role in the North Valley's economy, not only as a major source of exports, but also as a magnet creating a cluster of economic activity in the area. Skilled and semi-skilled labor was essential to the area's movie industry.

Within the entertainment industry, adult video production fueled increases in the number of business establishments and jobs there. Many companies involved in adult video production were smaller-sized specialty firms created for the duration of a six-month or year-long period. Proximity to Hollywood provided North Valley's porn industry with an enormous labor pool. In addition, middle-class homes in the area were available for rent as film sets for the industry. HIV and AIDS-related diseases remain a threat to the adult video production industry.

The emerging motion picture and video production industry boosted the North Valley's retail trade and manufacturing industries. Motion picture and video production provided high-paying jobs that generated high revenues in the area from both domestic sale and foreign export.

Migration of entertainment companies into the North Valley, in and after 1997, was the product of high office vacancy rates in the area (Chatsworth, 27 percent; Panorama City, 90 percent) and a lack of quality industrial space in the South Valley.<sup>6</sup>

The North Valley's beleaguered manufacturing sector faltered under competitive assault. Once the heart of the aerospace manufacturing industry, the San Fernando Valley lost much of its aerospace manufacturing ground due to federal defense spending cuts during the early 1990s. Many large companies closed operations or moved from the San Fernando Valley to lower cost-of-doing-business locations. As a result, small-sized manufacturing firms dependent upon new orders from these manufacturing companies, also relocated out of the North Valley.

While much of aerospace-related manufacturing moved out of the North Valley, many research facilities remained. Industrial transformation created a vibrant research and testing industry that generated high-skilled, high-paying, knowledge-based jobs there.

The North Valley ranked number one relative to the other Los Angeles County planning areas for the number of companies engaged in measuring, analyzing and controlling instruments.





## City of Los Angeles: Establishment Trends by Planning Areas

### South Valley

#### Overview of the South Valley Planning Area

Over the past 1992-2002 decade, the South Valley employers demanded creative, innovative and technologically competent workers. Business growth in the South Valley accelerated in business services, motion pictures, legal services and business consulting – all high-skilled, high-paying, knowledge-based industries that generated high revenues.

Creativity and technology drove the South Valley's motion picture industry; technology influenced new techniques in production, especially special effects, computer graphics and digital photography. In 2002, the motion picture industry employed 17,880 workers at 1,073 companies that generated more than \$1.5 million in revenues. From 1992 to 2002, motion picture and video production was the fastest growing industry group in terms of business growth (78 percent) employing over 13,700 workers (33 percent growth). A high-tech industrial cluster grew around this dynamic motion picture industry, attracting other knowledge-based industries, fueling exports and stimulating demand for construction jobs and retail sales. Despite concerns of runaway production, the movie industry continues to play a large and increasingly significant role in the South Valley's economy.

Once primarily Anglo, the Valley has become home to dynamic ethnic communities that positioned the South Valley within the center of our increasingly integrated world economy. However, some immigrants, especially from Mexico and Latin America, tended to lack education, English-language skills and finances that limited them to low-income retail and service jobs, at least for their first few years in the country.

The South Valley's restaurant-related businesses, supported by strong population gains and the second-highest median annual income of the seven Los Angeles County planning areas (\$42,450), experienced substantial business growth. The area's more sophisticated and upscale eating and drinking establishments generated additional wealth and high tax revenues, enhancing quality-of-life in the region.

The South Valley's tight office market, burdensome regulation and souring land costs caused some companies with expansion plans to consider leaving the area. Many options exist for businesses to relocate all or part of their industrial activities and the South Valley now finds itself competing for jobs and investment with newer suburbs, lower-cost areas such as nearby Calabasas, alternative states and countries. The South Valley did suffer a decrease in some industries with business count declines most pronounced among land subdividers and developers, commercial printing, lithographic, and women's clothing stores industries.

#### Profile of the South Valley Planning Area

The South Valley encompasses an array of economically dynamic and racially diverse communities: Canoga Park-Winnetka-Woodland Hills-West Hills, Encino-Tarzana, North Hollywood-Valley Village, Reseda-West Van Nuys, Sherman Oaks-Studio City-Toluca Lake-Cahuenga Pass and Van Nuys-North Sherman Oaks.



In 2000, this multiethnic and multiracial area was home to 703,012 people, growing 12 percent over the 1990-2000 decade. It was 50 percent White (down from 65 percent in 1990) and 34 percent Hispanic (up from 24 percent in 1990). It had an abundant supply of labor, as approximately three-quarters of its population was under the age of 50, and a relatively high amount of disposable income, with the median annual income being \$42,450.

The South Valley is home to many colleges and universities and a wide selection of world-class institutions and specialty schools. Georgetown University, Pepperdine University, UCLA Medical Center Sherman Oaks, University of Phoenix, Inc. and Los Angeles Pierce College are among the area's top research and educational institutions that provide it with skilled employees and health care workers. Furthermore, the West Valley Occupational Center, operated by the Los Angeles Unified School District, combined with the area's private and technical schools offer a variety of vocational and technical training programs.

Despite all of these quality educational facilities, of the 472,463 people in the South Valley over 24 years old in 2000, only 18 percent received a high-school diploma and just 20 percent completed a BA/BS degree.<sup>1</sup> These South Valley statistics were lower than both the national and Los Angeles County average educational attainment levels. The concern is that the skill level of the South Valley's abundant supply of labor will be inadequate to meet the growing needs for high-skilled, knowledge-based workers.

Data from the decade studied show that residents of the South Valley enjoy a high quality of life. The numerous cultural and tourism resources within the South Valley's boundaries include Universal Studios Hollywood, Universal Amphitheater and City Walk, and the Cahuenga Pass. The area is also home to the Hollywood Bowl, which provides world-renowned musical entertainment.

## Industry Profile

Table 10 provides details of the South Valley's economic performance in 1992 and 2002.

**Table 10-III**

South Valley - Economic Overview													
Sector	SIC	1992				2002				1992-2002			
		Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	% Growth Business	% Growth Emp.		
Services	SV	12,918	7,659	105,537	50	46	16,117	13,800	112,266	52	47	25	6
Retail Trade	RT	4,785	3,707	40,861	18	18	5,487	3,497	43,935	18	18	15	8
Construction	CN	1,578	1,210	9,360	6	4	1,799	1,334	11,007	6	5	14	18
Finance, Insurance & Real Estate	FI	2,785	5,305	29,694	11	13	3,122	14,592	29,794	10	12	12	0
Transp, Commun & Public Utilities	TU	577	802	7,134	2	3	899	968	7,885	3	3	56	11
Wholesale Trade	WT	1,789	3,761	12,489	7	5	1,723	3,638	12,821	6	5	-4	3
Mining	ML	14	3	47	0	0	8	3	38	0	0	-43	-19
Agriculture, Forestry & Fishing	AF	212	61	1,410	1	1	304	78	1,982	1	1	43	41
Manufacturing	MF	1,434	5,069	23,532	5	10	1,512	7,009	19,148	5	8	5	-19
<b>Total</b>		<b>26,092</b>	<b>27,577</b>	<b>230,064</b>	<b>100</b>	<b>100</b>	<b>30,971</b>	<b>44,919</b>	<b>238,876</b>	<b>100</b>	<b>100</b>	<b>19</b>	<b>4</b>

Sources: D&B, Milken Institute



## Services

Services both drove and dominated the South Valley's economy over the 1992-2002 decade. In 2002, the services sector accounted for 47 percent of the area's total employment (almost 112,270 jobs) and 52 percent of total businesses (up from 50 percent in 1992). Measured as a percent share of Los Angeles' total services establishments, the South Valley's share accounted for 23 percent of Los Angeles' total establishments that are engaged in the services sector. Within the South Valley's services sector, business services such as commercial art and graphic design, custom computer programming services, and employment and advertising agency services, was the largest industrial segment. In 2002, business services employed 23,586 workers (21 percent of the industry's total jobs) at 3,391 companies (21 percent of total service businesses) that generated almost \$639,700 in average per business sales revenue. This is down from \$736,009 average per business sales revenues in 1992. Thirty-nine percent growth in business service establishments outpaced industry employment increases of 30 percent, fueling small business gains in the South Valley.

Health and health care services comprised the second-largest ranking services industry in the South Valley, employing over 22,000 people in 2002 – 1,876 more jobs than a decade earlier – at a total of 2,439 companies in the area's large network of hospitals, long-term care facilities and clinics. Encino-Tarzana Regional Medical Center, North Hollywood Medical Center, Kaiser Foundation Hospital in Woodland Hills and Valley Presbyterian Hospital were among the industry's major facilities and largest employers. The South Valley was also home to Woodland Hills-based Health Net of California, one of the largest network-model health plans in California. These large establishments generated \$6.8 billion in sales revenues that contributed high tax revenues for the region. However, 88 percent of employment in the area's health services was concentrated in smaller establishments, i.e. those with less than 10 employees, that provided jobs for home care workers, early childcare educators and the like.

The motion picture industry drove the South Valley's economic recovery from the recession of the early 1990s, the 1992 Los Angeles riots and the 1994 Northridge earthquake. The industry's share of total service-sector establishments increased by nearly 400, up from 5 percent in 1992 to 7 percent in 2002, while the industry's share of total employment rose from 15 percent in 1992 to 16 percent in 2002. World-renowned companies such as the Sherman Oaks branch of Paramount Pictures, and Universal Studios, along with hundreds of small-sized firms, characterized the area's vibrant entertainment landscape, fueling demand for construction, retail and high-tech jobs. The South Valley's entertainment industry provided a strong base for goods and services exports.

## Retail Trade

Following the service sector, retail trade experienced the next biggest increase in employment creating over 3,000 new jobs and accounting for 18 percent of the area's overall number of businesses and employees in 2002. Ventura Boulevard with its excellent shopping and dining facilities combined with area shopping malls, such as the Topanga Mall and Sherman Oaks Galleria, underpinned the area's vibrant retail activity.

- Establishments in the South Valley's retail sector grew 15 percent over the past 10 years. In contrast, retail trade establishments in Los Angeles grew 20 percent over the same time period.



- In terms of employment, eating and drinking places was the largest segment of the South Valley's retail trade industry, with over 35 percent of the industry's total employment and 22 percent of the industry's total businesses in 2002.
- Miscellaneous retail was the area's largest industry when ranked by business count and second largest when ranked by employment in 2002.
- General merchandise stores, apparel and accessory stores, as well as automotive dealers and gasoline businesses, were segments within the retail sector that lost jobs over the past 10 years. However, out of these three industries, only apparel and accessory stores declined in business count.

## Construction

The South Valley's robust residential and commercial real estate market drove the area's construction sector. Over the decade, construction created almost 1,650 new jobs at 221 more businesses. This sector generated \$1.3 billion in revenues, an increase of \$124 million from 1992 to 2002. Because this industry employs a large number of undocumented workers,<sup>2</sup> these growth statistics may be quite conservative.

## Finance, Insurance and Real Estate

Employment in the finance, insurance and real estate sector remained stable, reflecting this sector's link to the South Valley's strong housing market. This sector accounted for 10 percent of the area's total establishments in 2002 and added 337 new establishments since 1992.

## Manufacturing

More companies employed fewer workers in the South Valley's manufacturing sector over the decade. Indeed, 78 additional businesses (5 percent more firms) employed close to 4,400 fewer workers representing 19 percent job losses for the industry from 1992 to 2002. Contraction was most pronounced in transportation equipment manufacturing and printing, publishing and allied industry manufacturing.

One of the South Valley's fastest growing manufacturing industries was food and kindred products, which employed over 2,100 workers in 2002. Anheuser-Busch Inc., one of the world's largest brewers, was also the largest single employer in this industry in the South Valley.<sup>3</sup>

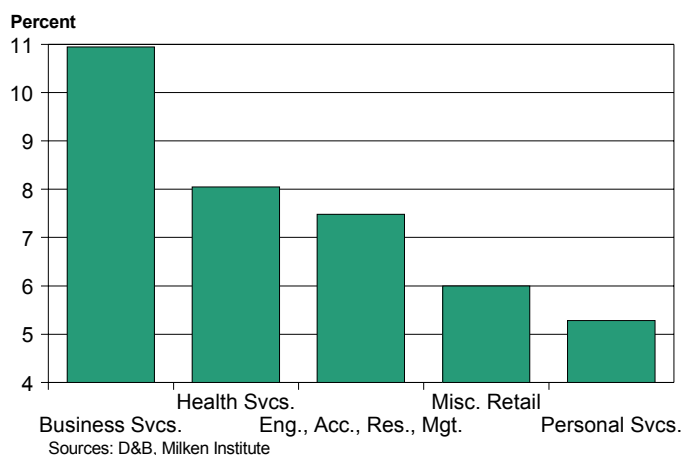
Over 60 additional companies in the area were engaged in miscellaneous manufacturing, such as toy, jewelry and musical instruments, demonstrating the greatest gain in the number of business establishments within the manufacturing sector. Another high-growth manufacturing segment was measuring, analyzing and controlling instruments manufacturing, which posted 77 percent job growth and 17 percent growth in business count over the past decade.



## Distribution of the South Valley's Business Establishments

There are more firms – 3,391 companies – engaged in business services activities in the South Valley than in any other industry. The bar chart below shows the South Valley's leading industries by share – 5 percent or more – of total number of business establishments. In 2002, establishments primarily engaged in services included business services, health and health care services, engineering, accounting, research, management and related services, and personal services.

**Figure 3-III**  
**South Valley - Leading Industries**  
 Share of Total Establishments, 2002



The total number of firms in the South Valley rose from nearly 26,100 in 1992 to almost 31,000 in 2002, a 19 percent increase over the decade. Among the South Valley's growing industries in terms of business count are business services, motion pictures, legal services and business consulting – all high-skilled, high-paying industries that generated high revenues.

Although the total number of businesses in the South Valley increased over the decade, the number of companies in some industrial segments declined. Worries in the entertainment industry about runaway production to Canada and other foreign markets also constrained business growth. Many South Valley business owners argued in 2002, that secession and a new Valley City would have enabled the entertainment industry to have direct access to a local government that would keep more jobs in the local economy.

The South Valley now finds itself competing for jobs and investment with newer suburbs and lower-cost states and nations. Table 11 shows the top 10 industries that decreased considerably in business count over the 1992-2002 period. They were land subdividers and developers, commercial printing, lithographics, and women's clothing stores. Land costs played an important role in the relocation decisions of many companies that moved to nearby cities such as Calabasas.



**Table 11-III**

**South Valley - Top 10 Growing & Declining Industries  
Ranked by Change in Business Count, 1992-2002**

Industry	SIC	1992			2002			Change in Business Count	1992-2002		
		Business Count	Sales Rev. (\$Mil.)	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.		% Growth		
									Business Count	Sales Rev.	Emp.
Miscellaneous Business Services	7389	821	445	4,671	1,320	546	5,576	499	61	23	19
Motion Picture & Video Production	7812	384	543	10,290	711	1,234	13,708	327	85	127	33
Entertainers & Entertainment Groups	7929	76	12	405	289	80	883	213	280	542	118
Eating Places	5812	938	645	11,639	1,148	773	14,794	210	22	20	27
Beauty Shops	7231	501	40	2,042	703	51	2,416	202	40	27	18
Legal Services	8111	1,255	478	5,731	1,445	536	6,442	190	15	12	12
Miscellaneous Business Consulting	8748	184	185	896	365	263	1,374	181	98	42	53
Loan Brokers	6163	112	109	835	281	252	1,966	169	151	130	135
Miscellaneous Retail Stores	5999	348	155	1,673	508	200	2,202	160	46	30	32
Management Consulting Services	8742	355	286	2,679	507	325	3,013	152	43	14	12
Developers	6552	166	523	852	78	445	847	-88	-53	-15	-1
Commercial Printing, Lithographic	2752	162	111	1,136	105	70	676	-57	-35	-37	-40
Womens Clothing Stores	5621	239	47	952	182	32	733	-57	-24	-32	-23
Insurance Agents, Brokers & Services	6411	784	513	7,195	735	407	5,944	-49	-6	-21	-17
Nonresidential Building Operators	6512	148	80	902	108	42	669	-40	-27	-48	-26
Travel Agencies	4724	240	426	1,508	209	296	1,027	-31	-13	-30	-32
Home Furnishings	5023	60	122	404	37	44	343	-23	-38	-64	-15
Savings Institutions, Fed chartered	6035	62	12	870	40	N.A.*	482	-22	-35	N.A.*	-45
Advertising Agencies	7311	175	288	1,006	153	245	1,167	-22	-13	-15	16
Medical Clinics	8011	918	414	5,223	896	5,472	5,351	-22	-2	1,223	2

Sources: D&B, Milken Institute  
\*Note: Data not available

The South Valley’s technology-intensive industries were an engine that generated high-wage and high-skilled jobs. The area’s high-tech service and manufacturing industries accounted for a remarkable 13 percent of the South Valley’s total employment and 8 percent of its total establishments in 2002.

Over the 1992-2002 decade, pharmaceuticals as well as search and navigation systems manufacturing emerged as important drivers of the South Valley’s economy. Enforma Natural Products Inc. is an example of a Sherman Oaks-based company, primarily engaged in the manufacturing of pharmaceutical preparations, that started its business there in 1997.

Other high-tech growth areas included telecomm services, which posted employment growth of nearly 120 percent; motion picture and video production – in 2002, almost 945 companies were involved in the high-tech motion picture industry; and the research and testing services industry (RTS), which increased in number of businesses by an impressive 24 percent and employed 28 percent more workers. Each of these high-tech industries generated ripple effects, enhancing their positive impact on the area’s economy. RTS employment was unevenly distributed. Commercial nonphysical research boasted the largest employment base in this segment; research and testing service employment accounted for only 1 percent of the South Valley’s total employment.

Mid-sized companies dominated animation, digital imaging, virtual reality, fiber optics, computer graphics and Internet advances in the motion picture industry. The lack of industrial land hindered the South Valley as it competed to retain and attract high-tech firms and industries.

**Startup Establishments, 2002**

Economic prosperity in the South Valley is dependent upon its ability to retain and attract vibrant new businesses into the area. In 2002, the South Valley gained 126 businesses per 100,000 people. Commercial and residential construction growth in the South Valley fueled a high concentration of startup loan broker industry ventures. A high proportion of the South Valley’s newly created companies employed fewer than ten workers.





**Table 12-III**  
**South Valley - Top 5 Business Startups, 2002**

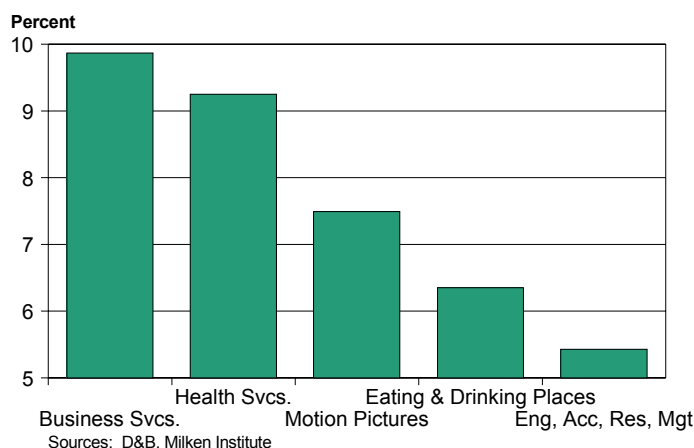
Industry	SIC	Business Count	Sales Rev. (\$Mil.)	Emp.	% Share of Total Business Startups
Miscellaneous Bus Services	7389	60	11	165	7%
Loan Brokers	6163	27	8	86	3%
Management Consulting Svcs	8742	27	13	110	3%
Motion Picture & Video Prod	7812	25	116	196	3%
Miscellaneous Retail Stores	5999	23	4	51	3%
<b>Total Business Startups</b>				<b>884</b>	

Sources: D&B, Milken Institute

## Employment Opportunities

Employment in the South Valley grew from 1992 to 2002. Over 8,800 additional jobs were created in the area, employing a total of 238,876 workers in 2002. The bar chart below shows the South Valley's top five leading industries that comprised a 5 percent or greater share of the area's total employment in 2002. They were business services, health and health care services, motion pictures, eating and drinking places, and engineering, accounting, research and management.

**Figure 4-III**  
**South Valley - Leading Industries**  
Share of Total Employment, 2002



In 2002, the South Valley's top employers were eating places (almost 14,800 jobs) and motion picture and video production (over 13,700 jobs). A 31 percent increase in real estate agent and manager employment was another strong employment growth sector over the 1992-2002 decade. As shown in Table 13, workers in industrial activities such as legal services, insurance agents and brokers, fire, marine and casualty insurance, mortgage bankers and loan correspondents provided support for the South Valley's vibrant commercial and residential real estate market.



**Table 13-III**  
**South Valley - Top 20 Industries**  
**Ranked by Employment, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Eating Places	5812	1,148	773	14,794
Motion Picture & Video Production	7812	711	1,234	13,708
Legal Services	8111	1,445	536	6,442
Insurance Agents, Brokers & Services	6411	735	407	5,944
Miscellaneous Bus Services	7389	1,320	546	5,576
Offices, Clinics of MDs	8011	896	5,472	5,351
Real Estate Agents & Managers	6531	697	243	5,014
General Medical & Surgical Hospitals	8062	16	462	4,942
Grocery Stores	5411	245	94	3,984
Fire, Marine & Casualty Insurance	6331	25	1,878	3,708
Accounting, Auditing & Bookkeeping	8721	719	173	3,306
Management Consulting Services	8742	507	325	3,013
Detective & Armored Car Services	7381	78	44	2,515
Department Stores	5311	31	4	2,467
Offices & Clinics of Dentists	8021	521	148	2,463
Beauty Shops	7231	703	51	2,416
New/Used Car Dealers	5511	62	1,104	2,355
Motion Picture Theaters, Except Drive-In	7832	19	104	2,326
Miscellaneous Retail Stores	5999	508	200	2,202
Mortgage Bankers & Correspondents	6162	153	376	2,105

Sources: D&B, Milken Institute

Table 14 shows that the South Valley's motion picture and video production industry was not only the area's top employer but ranked number one in terms of job creation, recording over 3,400 new jobs since 1992. Restaurant-related employment added more than 3,150 new jobs.

**Table 14-III**  
**South Valley - Top 10 Industries**  
**Ranked by Job Creation, 1992-2002**

<b>Industry</b>	<b>SIC</b>	<b>Emp.</b>		<b>Job Creation 1992-2002</b>	<b>% Emp. Growth</b>	<b>% Share of Total Job Creation</b>
		<b>1992</b>	<b>2002</b>			
Motion Picture & Video Production	7812	10,290	13,708	3,418	33	7
Eating Places	5812	11,639	14,794	3,155	27	7
Motion Picture Theaters, Except Drive-In	7832	204	2,326	2,122	1,040	4
Real Estate Agents & Managers	6531	3,838	5,014	1,176	31	2
Loan Brokers	6163	835	1,966	1,131	135	2
Custom Computer Programming Services	7371	852	1,904	1,052	123	2
Miscellaneous Business Services	7389	4,671	5,576	905	19	2
Security Systems Services	7382	444	1,294	850	191	2
Telephone Communication, Except Radio	4813	545	1,378	833	153	2
Detective & Armored Car Services	7381	1,750	2,515	765	44	2
<b>Total Job Creation</b>				<b>47,442</b>		

Sources: D&B, Milken Institute



Although the majority of businesses shown in the above Table 14 added jobs in moderate to high-paying occupations, average annual wage per employee increases overall were modest, attributable in large part to low average annual wages per employee of approximately \$15,000 in the eating places industry.

In contrast, the South Valley job losses, as outlined in Table 15, largely occurred in higher-paying industries. Rebounding from California's early 1990s defense industry cutbacks, aircraft job gains were experienced in Palmdale and centered around LAX, rather than in the South Valley area. Easing of the U.S. dollar exchange rate, relative to other international currencies, may alleviate motion picture production services job losses to Canada and other lower-cost foreign markets.

**Table 15-III**  
**South Valley - Top 10 Industries**  
**Ranked by Job Loss, 1992-2002**

Industry	SIC	Emp.		Job Loss 1992-2002	% Emp. Growth	% Share of Total Job Loss
		1992	2002			
Aircraft	3721	5,019	1,125	-3,894	-78	14
Services Allied to Motion Pictures	7819	4,719	1,167	-3,552	-75	12
Fire, Marine & Casualty Insurance	6331	5,357	3,708	-1,649	-31	6
Insurance Agents, Brokers & Services	6411	7,195	5,944	-1,251	-17	4
Medical Laboratories	8071	2,302	1,065	-1,237	-54	4
U.S. Postal Service	4311	1,500	341	-1,159	-77	4
Department Stores	5311	3,461	2,467	-994	-29	3
Hospital & Medical Service Plans	6324	1,022	355	-667	-65	2
Newspapers	2711	805	238	-567	-70	2
Travel Agencies	4724	1,508	1,027	-481	-32	2
<b>Total Job Loss</b>				<b>-28,506</b>		

Sources: D&B, Milken Institute



## Industries by Sales Revenues

The South Valley's establishments primarily engaged in fire, marine and casualty insurance reported total sales revenues of nearly \$2 billion in 1992. Search and navigation equipment manufacturing, such as Litton Systems Inc. located in Woodland Hills, recorded over \$1.4 billion in their aggregate sales revenues.

The South Valley's top 20 industries, ranked by aggregate sales revenues in 2002, are listed in the table below. Revenues from hospital and medical service plans along with offices and clinics of medical doctors were the top leading revenue generating industries in the South Valley in 2002. Health Net of California Inc., established in 1997 and headquartered in Woodland Hills, recorded over \$5 billion in sales revenues in 2002.

How healthy is the South Valley's motion picture and video production industry? Excellent, according to the comparison of the industry's average sales revenues per business count – \$1.7 million in 2002 up from \$1.4 million in 1992.

**Table 16-III**  
**South Valley - Top 20 Industries**  
**Ranked by Total Sales Revenues, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Hospital & Medical Service Plans	6324	5	10,208.5	355
Offices, Clinics of MDs	8011	896	5,472	5,351
Search & Navigation Equipment	3812	3	3,042	651
Fire, Marine & Casualty Insurance	6331	25	1,878	3,708
Motion Picture & Video Production	7812	711	1,234	13,708
New/Used Car Dealers	5511	62	1,104	2,355
Fresh Fruits & Vegetables	5148	11	979	299
Motor Vehicle Parts & Accessories	3714	15	795	1,105
Eating Places	5812	1,148	773	14,794
Miscellaneous Business Services	7389	1,320	546	5,576
Legal Services	8111	1,445	536	6,442
Metal Cans	3411	1	470	80
General Medical & Surgical Hospitals	8062	16	462	4,942
Subdividers & Developers	6552	78	445	847
Insurance Agents, Brokers & Services	6411	735	407	5,944
Pharmaceutical Preparations	2834	9	395	72
Mortgage Bankers & Correspondents	6162	153	376	2,105
Sporting & Recreating Goods	5091	24	352	614
Medical Laboratories	8071	64	343	1,065
Nonresidential Construction	1542	79	342	1,191

Sources: D&B, Milken Institute



## Establishments by Ownership and Employment Class Size, 2002

The number of business establishments in the South Valley grew 19 percent from 1992 to 2002. The area also experienced modest employment growth – 4 percent – over this same period. However, this growth varied by the distribution of establishments in terms of employment class size and by ownership. Small businesses drove the South Valley's economic development over the decade.

When examining the South Valley's entire 2002 workforce, almost nine out of 10 workers were employed in companies with less than 10 employees. Upwards of 85 percent of the South Valley's businesses employed less than 10 workers and generated revenues of over \$5.7 billion in 2002. In contrast, the South Valley's large establishments, those that employed 100 or more workers, accounted for only 0.8 percent of the South Valley's companies and generated revenues of \$2 billion in 2002.

Minority business ownership plays a less significant role in the area's economy. The table below shows that minority ownership accounted for only 5 percent of the South Valley's companies, while female ownership comprised approximately 14 percent of businesses.

**Table 17-III**

<b>South Valley - Establishments by Ownership (EmpHere = EmpTotal), 2002</b>				
	<b>Business Count</b>	<b>Emp.</b>	<b>Sales Rev. (\$Mil.)</b>	<b>% of Total Establ.</b>
Total	29,489	205,545	14,306	100
Minority-Owned	1,432	7,158	922	5
Women-Owned	3,992	15,319	1,213	14

Sources: D&B, Milken Institute

The following table provides further details of the strength of small business development in the South Valley. Minority and female ownership by employment is also shown.

**Table 18-III**

<b>South Valley - Establishments by Employment Class Size (EmpHere = EmpTotal), 2002</b>						
	<b>Emp. = 100</b>		<b>Emp. 10 to 99</b>		<b>Emp. 1 to 9</b>	
	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>
Total	223	0.8	3,993	13.5	25,273	85.7
Minority-Owned	4	0.0	151	0.5	1,277	4.3
Women-Owned	6	0.0	306	1.0	3,680	12.5

Sources: D&B, Milken Institute



## Concluding Points

In 2002, the South Valley's motion picture industry employed 17,880 workers overall at 1,073 companies that generated over \$1.5 billion in revenues. The entertainment industry also boosted demand for local products and services, forming a cluster of economic activity and a strong export industry. World-renowned companies such as the Sherman Oaks production branch of Paramount Pictures, Universal Studios Inc., along with hundreds of small-sized firms, constitute the area's entertainment landscape. With a 27 percent share of Los Angeles' overall business establishments engaged in the motion picture industry, the South Valley is "moving Hollywood over the hill." The South Valley's adult entertainment industry also constituted a large share of the area's motion picture industry from 1992 to 2002. The majority of video format movies are filmed in middle-class suburban homes, providing opportunities for producers and performers not otherwise employed in the mainstream movie business. These primarily low-budget movie producers capitalized on the area's lower rental costs.

Small business development drove the South Valley's economic growth from 1992 to 2002. Nineteen percent growth in the number of new business establishments was more than four times as great as the area's employment gains of 4 percent over the course of the decade. Looking at the entire South Valley workforce base in 2002, more than eight out of 10 workers were employed in companies with fewer than 10 workers. Minority ownership did not play a statistically large role in the area's economy over the decade.

Services was the most important industrial sector in the South Valley accounting for 47 percent of the area's total employment and 52 percent of its total business establishments. Within the South Valley's services sector, business services such as commercial art, graphic design, custom computer programming services, employment and advertising agencies, was the largest segment with 21 percent of the industry's total employment and business count. Health and health care services was the second-largest ranking services industry in the South Valley, employing over 22,000 people in 2002. The area's large network of hospitals, long-term care facilities, clinics and health plan establishments contributed close to \$7 billion in revenues in 2002, accounting for approximately 26 percent of all such businesses in this Los Angeles planning area.

Following the services sector, retail trade experienced by far the next biggest increase in employment. Ventura Boulevard, with its excellent shopping and dining facilities, combined with shopping centers such as the Topanga Mall and Sherman Oaks Galleria, underpinned the area's vibrant retail activity and supported a median annual wage income of \$42,450 in 2000.<sup>4</sup>

The South Valley employers demanded creative, innovative and technologically competent workers. Thousands of jobs in high-wage, knowledge-intensive sectors such as motion picture production and engineering and management services were created in the area. In the past decade, manufacturing of pharmaceuticals and search and navigation systems emerged as important components of the South Valley's economy. Companies engaged in legal services as well as in management and business consulting services prospered.

High demand for homeownership (the South Valley had a 4 percent higher ratio of homeownership than that of Los Angeles County overall<sup>5</sup>), population growth (especially among the South Valley's middle-class) and low interest rates added strength to its vibrant real estate market. These factors translated into strong business growth for related industries in the South Valley, such as insurance agents, single-family housing contractors and apartment building operators.



The South Valley has made significant investments to become a desirable tourist destination. The South Valley's many cultural and recreational opportunities, including Universal Studios Hollywood, Universal Amphitheater, City Walk and world-class cultural institutions, drew tourists to the area from across the globe. Tourism fueled demand for consumer goods and services, created jobs and generated revenues for the area.

The motion picture industry, which has long embraced new technologies, enhanced the economic health of the whole region. Despite concerns about runaway production, the movie industry still plays an increasingly large role in the South Valley's economy. The South Valley's technology sector has good growth prospects in the area. However, its tight office market and lack of industrial land could result in the migration of knowledge-based jobs to competing areas such as Ventura County.

Once primarily Anglo, the Valley has become home to dynamic ethnic communities. However, many immigrants, especially from Mexico and Latin America, lacked the education, English-language skills and finances required for higher-paying employment. This limited many to low-income retail and service jobs, at least for their first few years in the country. Many of these immigrants were employed in small firms. This dynamic created a mismatch between the increasing skills required for knowledge-based jobs in the South Valley area and the education and skills of its growing immigrant population.







## City of Los Angeles: Establishment Trends by Planning Areas

### San Fernando Valley

The preceding analysis considered the North Valley and South Valley as two separate planning areas. This section discusses the distinct geographic unit to which they both belong – the San Fernando Valley – which also includes the independent cities of Calabasas, Burbank, Glendale, San Fernando and Hidden Hills. In 2000, San Fernando Valley was home to nearly 1.7 million people or about 45 percent of the city's entire population. With the exception of West Los Angeles, the San Fernando Valley as a whole had the highest median annual income among the city's seven planning areas.

After suffering strong declines in the 1990s in its aerospace industry, the San Fernando Valley has since emerged as an entertainment and technology hub. Film and music exports produced by the Valley's entertainment sector have propelled the area's global trade. These technology and entertainment company clusters provide high-skilled and high-paying jobs to the area's workforce and contribute significantly to the area's economic welfare. More than one-third of Los Angeles' motion picture establishments are located in the Valley, including major studios such as Universal Studios, Disney and DreamWorks SKG.

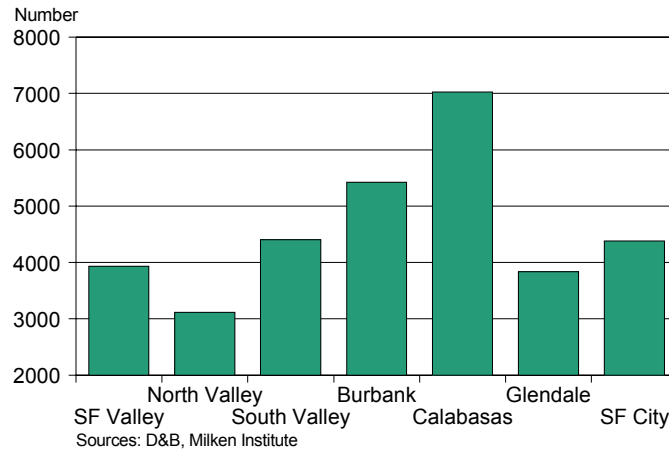
The San Fernando Valley's finance, construction, insurance and real estate sectors did well over the 1992-2002 decade due to strong population growth, the general prosperity of the 1990s, and the emergence and growth of the entertainment industry, particularly in the eastern parts of the Valley. The omnipresence of the entertainment industry there lured finance and insurance companies to the area; they now account for more than 40 percent of Los Angeles' financial, insurance and real estate establishments and provide nearly 35 percent of the industry's jobs. General population growth and higher incomes also fueled a rise in the number of health and auto insurance companies in the area.

In addition to white-collar growth industries, the San Fernando Valley has seen growth in its low-skilled, low-wage jobs in the services industries such as restaurants and landscaping. These jobs are held mainly by the area's growing immigrant residents.

As the San Fernando Valley developed from an agricultural area into a modern-day suburb and entertainment and technology center, some parts have done noticeably better than others. The cities of Calabasas and Burbank, which fall outside the City of Los Angeles' jurisdiction, have benefited from lower business taxes, friendlier business climates and have been able to attract many of the businesses trying to escape Los Angeles' regulatory environment and its associated high costs.



**Figure 4a-III**  
**Business Density per 100,000 People**  
2002



The shift in the San Fernando Valley’s industry profile from primarily engineering and aerospace to creative technology has inevitably brought about shifts in occupations and income, creating polarization. Compared to the other parts of the San Fernando Valley, the North Valley is the area with the highest concentration of nonEnglish-speaking, low-wage service workers and the larger share of the immigrant population. The North Valley is also the San Fernando Valley’s least-developed region, with a business density of 3,116 businesses per 100,000 people (see Figure 4a).

Overall, the San Fernando Valley plays an integral role in Los Angeles’ economic growth and development. The popularity of American films and music abroad, the immense presence of the motion picture industry and related high-tech industries, such as video-game developers, media companies and studios, bring wealth and jobs not only to the Valley, but also to surrounding communities, and promote further economic growth and development in the area. San Fernando Valley’s well-balanced and diverse economy is also an essential dynamic for the future growth and stability of the region’s economy.



## City of Los Angeles: Establishments Trends by Planning Areas

### West Los Angeles

#### Overview of the West Los Angeles Planning Area

West Los Angeles' industrial base went through a period of strong expansion from 1992 to 2002. Service producing firms such as legal- and motion picture-related services led the charge, contributing significantly to local economic growth. These overall business trends indicate that West Los Angeles' economic base has shifted to a skill-based, high-value-oriented economic structure.

Knowledge-intensive businesses and other white-collar services, including dotcom businesses, were the drivers of West Los Angeles' economy between 1992 and 2002. West Los Angeles' economic strength has been tied to the adaptability and flexibility of entrepreneurs responding to a technology-intensive market. The collapse of the dotcom bubble in 2000 brought some changes, but the industry setting, relying on high-value technology production, remains.

The export-driven motion picture industry has had a very positive economic impact on the area's communities. It provides an economic base that supports high-paying jobs for its residents. West Los Angeles is also home to high-end retail stores and abundant eating places that make it a major international and national tourist destination. The area's motion picture industry has attracted high-tech businesses as well, stimulating demand for the South Valley's construction and retail services such as catering services.

#### Profile of the West Los Angeles Planning Area

West Los Angeles includes the communities of Bel Air-Beverly Crest, Brentwood-Pacific Palisades, Los Angeles International Airport, Palms-Mar Vista-Del Rey, Venice, West Los Angeles, Westchester-Playa Del Rey and Westwood.

West Los Angeles' communities are less congested than inland areas of Los Angeles in terms of population density. The City of Los Angeles shows the area's total population at 394,671 as of 2000, population growth of 5 percent since 1990. Whites accounted for 61 percent in 2000 (down from 70 percent in 1990), Hispanics accounted for 17 percent (up from 15 percent in 1990), while Asians accounted for 12 percent (up from 10 percent since 1990).<sup>1</sup>

In 2000, 73 percent of the population was in the 0-49 age bracket. West Los Angeles' communities include high-income areas such as Bel Air, Brentwood and Pacific Palisades. Median annual income was \$58,580 in 2000.<sup>2</sup>

In terms of educational attainment, 30 percent of West Los Angeles' population over age 24 had a BA/BS degree in 2002.<sup>3</sup> Clearly, the area has a distinct competitive advantage; its highly-educated workforce anchors businesses there. Most notably, West Los Angeles has the highest percentage of doctorate degrees (3 percent) when compared to the remaining planning areas. The area's rapid growth in the service sector can be directly attributed to the impact of its population on the composition of the labor force.



Educational opportunities are offered by some of the most reputable public and private schools, and major academic institutes and research centers that can be found in Southern California. For instance, West Los Angeles is home to UCLA, Loyola Marymount University, and Mount St. Mary's College. These educational institutions provide the area's technology-based companies with a highly skilled workforce.

The J. Paul Getty Center, 20<sup>th</sup> Century Fox Studios, Westwood Village, Farmers Market, the Grove, and Marina del Rey are among West Los Angeles' tourist attractions. Marina Del Rey features hotels, restaurants and retail stores on the Santa Monica Bay. West Los Angeles is also home to the Skirball Cultural Center and Museum.

## Industry Profile

Over the past decade, West Los Angeles experienced employment growth of 16 percent and 23 percent growth in business count.

**Table 19-III**

**West L.A. - Economic Overview**

Sector	SIC	1992				2002				1992-2002 % Growth			
		Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	% of Total Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	% of Total Emp.	Business	Emp.
Services	SV	10,985	9,720	119,479	53	51	14,500	15,356	154,391	57	56	32	29
Retail Trade	RT	3,409	3,112	38,423	16	16	3,835	3,080	37,922	15	14	12	-1
Construction	CN	731	1,087	5,203	4	2	797	1,565	5,832	3	2	9	12
Finance, Insurance & Real Estate	FI	2,383	8,040	22,745	11	10	2,859	10,154	25,086	11	9	20	10
Transp. Commun & Public Utilities	TU	820	1,574	21,695	4	9	1,111	3,120	27,286	4	10	35	26
Wholesale Trade	WT	1,207	3,963	10,629	6	5	1,178	4,046	9,373	5	3	-2	-12
Mining	ML	31	52	413	0	0	23	7,547	406	0	0	-26	-2
Agriculture, Forestry, & Fishing	AF	141	499	1,150	1	0	215	54	1,321	1	0	52	15
Manufacturing	MF	1,038	4,519	15,685	5	7	1,061	6,639	12,404	4	5	2	-21
<b>Total</b>		<b>20,745</b>	<b>32,566</b>	<b>235,422</b>	<b>100</b>	<b>100</b>	<b>25,579</b>	<b>51,561</b>	<b>274,021</b>	<b>100</b>	<b>100</b>	<b>23</b>	<b>16</b>

Sources: D&B, Milken Institute

## Services

In 2002, service-providing industries, by far the most dominant in the area, accounted for more than 56 percent of West Los Angeles' total employment and 57 percent of total establishments. The area's services sector is highly diversified, with six out of 15 services sector groups well-represented when measured by business count. The services sector is divided into "domestic" services that primarily produce for local consumption, such as educational and health services, and "export" services, such as financial and business services, and the area's motion picture industry.

In terms of service sector firm distribution, there were 2,900 establishments in business services, 2,477 in engineering, accounting, research, management and related services, 2,301 in health services and almost 2,000 legal services firms in West Los Angeles in 2002. The motion picture industry experienced a steady increase in business count and employment, expanding its share of total establishments from 5.8 percent in 1992 to 6.2 percent in 2002. In terms of health services, Saint John's Health Center, the UCLA Medical Center and Cedars Sinai Medical Center are all situated in West Los Angeles.

## Retail Trade

The second-largest West Los Angeles industry sector by business count was retail trade with 3,835 establishments in 2002. Establishments in eating and drinking places increased by almost 200 establishments since 1992 and accounted for more than one-third of the area's total retail establishments. Increased population, business base and tourism all contributed to growth in retail trade, and food preparation services.



## **Transportation, Communications and Public Utilities**

West Los Angeles' concentration of businesses in the transport, communications and utilities sector emerged as the area's third-largest employment sector, representing 4 percent of the area's total establishments. Communications, which includes television broadcasting, radio broadcasting and the movie studios 20<sup>th</sup> Century Fox, MGM and Sony Pictures, accounted for 42 percent of that sector's total employment, followed by air transportation which accounted for 20 percent of the sector's employment in 2002. Los Angeles International Airport, one of the world's busiest, provides local employment and services local businesses engaged in global trade.

## **Finance, Insurance and Real Estate**

Establishments in finance, insurance and real estate grew by 20 percent, adding nearly 500 businesses. The demand for residential housing also increased as the area's population grew.

## **Manufacturing**

West Los Angeles has only a small number of businesses in the manufacturing sector. Though the industry exhibited 2 percent business growth over the 1992-2002 period, employment in the manufacturing sector fell sharply. Printing, publishing and allied industries had the highest business count in the manufacturing sector. Miscellaneous manufacturing, and apparel and other finished products, were the largest two industries within manufacturing in terms of business count in 2002. Its very low percentage of the area's total businesses and employment suggests that international trade does not play a vital role in West Los Angeles' manufacturing sector.

## **Construction**

West Los Angeles construction activity created 12 percent employment growth and 9 percent business growth. The Los Angeles International Airport expansion plans and the Playa Vista development contributed to this strong growth.



### Distribution of the West Los Angeles Business Establishments

Several industries in the services sector accounted for significantly higher than five percent of the area's total establishments in 2002. Business services, and engineering, accounting, research, management and related services rose considerably from 1992-2002, reflecting the shift toward technology-driven industry sectors.

**Figure 5-III**  
**West Los Angeles - Leading Industries**  
 Share of Total Establishments, 2002

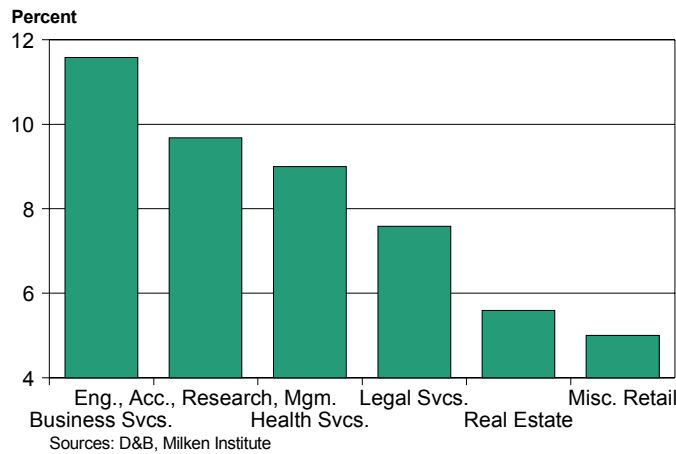


Table 20 reflects the top 10 growing and declining industries in West Los Angeles. Business trends indicate that worker skill level and wage structure shifted over the past decade to higher-paying jobs. Miscellaneous business services followed by offices of health practitioners led the expansion in business growth. Legal services also experienced strong growth. West Los Angeles' Wilshire, Sepulveda and Olympic corridors have thriving business districts that drew many law offices into the community. As the heart of the region's financial sector, many opportunities exist for legal professionals working with local commercial and private clients. There is also a demand for expertise in specialized areas, such as finance with an international bias, high-tech and telecommunications work.

**Table 20-III**  
**West Los Angeles - Top 10 Growing & Declining Industries**  
 Ranked by Change in Business Count, 1992-2002

Industry	SIC	1992			2002			Change in Business Count	1992-2002 % Growth		
		Business Count	Sales Rev. (\$Mil.)	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.		Business Count	Sales Rev.	Emp.
Miscellaneous Business Services	7389	614	663	3,839	1,121	536	6,623	507	83	-19	73
Offices of Health Pract	8049	257	40	922	489	58	1,373	232	90	45	49
Miscellaneous Business Consulting	8748	191	117	1,083	413	166	1,984	222	116	42	83
Motion Picture & Video Production	7812	424	941	3,796	637	1,008	8,122	213	50	7	114
Management Consulting Services	8742	482	283	3,716	695	340	5,146	213	44	20	38
Legal Services	8111	1,730	1,123	12,749	1,939	1,189	14,024	209	12	6	10
Eating Places	5812	796	704	14,772	985	705	16,316	189	24	0	10
Real Estate Agents & Managers	6531	630	372	4,922	819	316	5,315	189	30	-15	8
Beauty Shops	7231	348	38	1,745	515	48	2,255	167	48	27	29
Entertainers & Entertainment Groups	7929	64	9	238	192	27	1,196	128	200	198	403
Developers	6562	229	1,263	1,844	136	1,111	1,007	-93	-41	-12	-45
Nonresidential Building Operators	6512	257	266	1,572	191	1,055	1,290	-66	-26	296	-18
Women's Clothing Stores	5621	222	75	1,136	158	47	974	-64	-29	-37	-14
Advertising Agencies	7311	191	587	2,176	152	603	2,129	-39	-20	3	-2
National Commercial Banks	6021	67	816	1,550	35	770	902	-32	-48	-6	-42
Commercial Printing, Lithography	2752	110	95	933	80	60	685	-30	-27	-37	-27
Travel Agencies	4724	187	440	1,450	160	321	1,043	-27	-14	-27	-28
Motion Picture Tape Dist	7822	71	178	939	45	34	349	-26	-37	-81	-63
Elec Parts Equipment	5065	89	207	728	67	136	368	-22	-25	-34	-49
Operative Builders	1531	34	88	183	14	47	168	-20	-59	-46	-8

Sources: D&B, Milken Institute



Management consulting services and miscellaneous business consulting to law, financial and business practices also grew in business count thanks to West Los Angeles' strategic position as a hub of financial, legal and high-tech companies.

The motion picture and video production industry experienced strong business growth since 1992. Many leading entertainment companies and communication companies, such as Sony and MGM, relocated to Santa Monica. As mentioned above, the export-driven motion picture industry, high-income residents, and high sales revenues stemming from upscale retail stores and eating places fueled the West Los Angeles economy. The majority of industries that experienced strong growth in business count, including legal services and motion pictures, contributed significantly to local government in the form of high corporate income tax revenues.

At the other end of the spectrum, West Los Angeles lost many businesses among land subdividers, developers and operators of nonresidential buildings. West Los Angeles is a highly developed area in terms of business density with over 6,000 businesses per 100,000 people. While its economic strength has been tied to the adaptability and flexibility of entrepreneurs responding to the technology-intensive market, the cooling of the dotcom inferno in 2000 brought change. The area's industrial office market was especially hard hit by the dotcom bust.

West Los Angeles business growth could stall if inadequate housing and traffic jams discourage new business relocations and encourage existing companies to consider moving. The ability of companies to grow and add jobs to the employment base could be impacted by their inability to house their employees.

“Technology and high-tech industries are promoting favorable economic developments throughout the U.S. economy on many dimensions.”<sup>4</sup> Further examination of West Los Angeles' high-tech manufacturing and high-tech services sectors reveals that in 2002, these industry groups accounted for 11 percent of the area's total employment and 9 percent of West Los Angeles' total establishments.

Among West Los Angeles' high-tech manufacturing industries, the drug industry exhibited substantial growth in business count, adding 12 new establishments. Most of the companies in this industry group, such as Veritas Pharmaceuticals Inc. which moved into West Los Angeles in 1999, are manufacturers of pharmaceutical preparations. Medical equipment, instruments and supply companies were the largest in terms of business count and employment in that sector.

The motion picture industry had the largest number of business establishments among the area's high-tech services, but telecomm services experienced the most growth, both in terms of number of jobs and establishments.

The area's research and testing services industry added 26 establishments over the past decade. It is worth noting that the commercial nonphysical research industry had the highest concentration of establishments within research services, as well as the highest employment in 2002. The high concentration of service R&D activities is related to the number of higher education institutions and hospital services in close proximity in West Los Angeles.



### Startup Establishments, 2002

West Los Angeles' dynamic entrepreneurial business culture advanced economic opportunity there, especially among women and minorities, creating opportunity for job expansion. In 2002, there were 140 business startups per 100,000 people in the area. Evaluating what types of businesses were started there in 2002, Table 21 shows that startup companies were largely formed in miscellaneous business services. The area's newly created establishments included design services, interior design services, financial services and management consulting. Management consulting services accounted for 5 percent of total West Los Angeles startups in 2002. Four percent of West Los Angeles startups were in the motion picture and video production industry in 2002. The relative importance of the area's small-sized businesses was noted above, with small businesses generating 32 percent of its total sales revenues in 2002.

**Table 21-III**  
**West Los Angeles - Top 5 Business Startups, 2002**

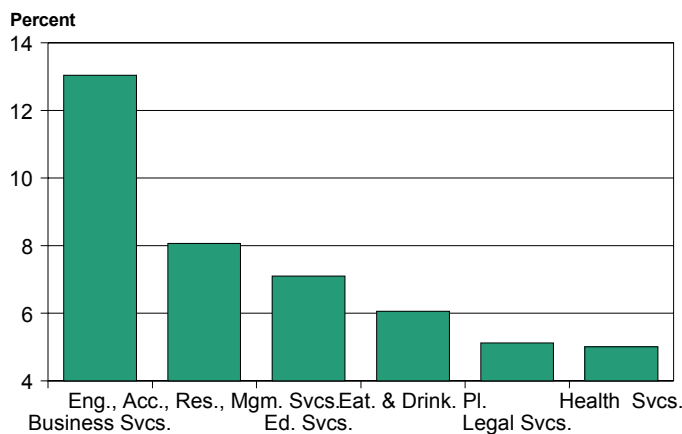
Industry	SIC	Business Count	Sales Rev. (\$Mil.)	Emp.	% Share of Total Business Startups
Miscellaneous Bus Services	7389	45	15	223	8%
Management Consulting Services	8742	29	12	119	5%
Eating Places	5812	22	6	204	4%
Motion Picture & Video Production	7812	20	13	115	4%
Miscellaneous Business Consulting	8748	17	4	47	3%
<b>Total Business Startups</b>		<b>551</b>			

Sources: D&B, Milken Institute

### Employment Opportunities

The following industries make up 5 percent or more of the area's total employment, driving West Los Angeles' employment growth in 2002: business services, engineering, accounting, research and management services, educational services, eating and drinking places, legal services, and health services.

**Figure 6-III**  
**West Los Angeles - Leading Industries**  
 Share of Total Employment, 2002



Sources: D&B, Milken Institute





Employment data indicate that eating places, legal services, colleges and universities, hotels and motels, and the motion picture and video production industry employed the largest numbers of people in West Los Angeles in 2002.

**Table 22-III**  
**West Los Angeles - Top 20 Industries**  
**Ranked by Employment, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Eating Places	5812	985	705	16,316
Legal Services	8111	1,939	1,189	14,024
Colleges, Universities	8221	123	285	12,795
Hotels & Motels	7011	121	4,454	10,140
Motion Picture & Video Production	7812	637	1,008	8,122
TV Broadcasting Stations	4833	25	1,311	7,199
Miscellaneous Business Services	7389	1,121	536	6,623
Employment Agencies	7361	181	535	6,441
Offices, Clinics of MDs	8011	1,013	456	5,618
Real Estate Agents and Managers	6531	819	316	5,315
Management Consulting Services	8742	695	340	5,146
Schools & Educational Services	8299	152	96	4,392
Detective & Armored Car Svcs	7381	59	26	3,366
Grocery Stores	5411	130	64	3,108
Accounting, Auditing & Bookkeeping	8721	445	172	2,901
Security Brokers & Dealers	6211	154	2,187	2,706
Air Trans Schedule	4512	58	20	2,642
Insurance Agnts, Brokers & Service	6411	369	480	2,514
Physical Fitness Facilities	7991	48	133	2,364
Prepackaged Software	7372	76	699	2,352

Sources: D&B, Milken Institute

West Los Angeles' job gains and losses are an important measure of the area's vitality and volatility over time. Out of the more than 76,000 jobs created during the decade studied, colleges, universities and professional schools contributed significantly to the growth of the West Los Angeles economy. Owing to demographic developments, such as the growth of the area's population, the demand for educational services is increasing further.

The remaining industry sectors among the top 10 job creators were television broadcasting stations, employment agencies, and motion picture and video production. Tourism is one of the area's growing industry sectors, as well. More than 3,100 new jobs in hotels and motels were added to West Los Angeles' economy between 1992 and 2002.



**Table 23-III**  
**West Los Angeles - Top 10 Industries**  
**Ranked by Job Creation, 1992-2002**

Industry	SIC	Emp.		Job Creation 1992-2002	% Emp. Growth	% Share of Total Job Creation
		1992	2002			
Colleges, Universities	8221	6,039	12,795	6,756	112	9
TV Broadcasting Settings	4833	501	7,199	6,698	1,337	9
Employment Agencies	7361	1,837	6,441	4,604	251	6
Motion Picture & Video Production	7812	3,796	8,122	4,326	114	6
Hotels & Motels	7011	6,948	10,140	3,192	46	4
Miscellaneous Business Services	7389	3,839	6,623	2,784	73	4
Detective & Armored Car Services	7381	1,094	3,366	2,272	208	3
Facilities Support Services	8744	28	2,022	1,994	7,121	3
Prepackaged Software	7372	436	2,352	1,916	439	2
Physical Fitness Facilities	7991	471	2,364	1,893	402	2
<b>Total Job Creation</b>				<b>76,798</b>		

Sources: D&B, Milken Institute

Wages among employees with advanced degrees rose noticeably more than those of less-skilled workers. However, a number of the jobs gained between 1992 and 2002 were in lower-paying sectors, including hotels and motels.

Many of the declining industry sectors are affected by occupational structure changes as a result of technological changes, organizational changes and other determinants that affect the demand for employees. For instance, the accounting, auditing and bookkeeping industry lost a significant number of jobs as a consequence of office automation and the recent wave of accounting scandals. Aerospace and defense-related manufacturing suffered a sharp downturn due to the cuts in federal expenditures for military aircraft. The decline in jobs in computer-related services was accompanied by a high wage structure.

**Table 24-III**  
**West Los Angeles - Top 10 Industries**  
**Ranked by Job Loss, 1992-2002**

Industry	SIC	Emp.		Job Loss 1992-2002	% Emp. Growth	% Share of Total Job Loss
		1992	2002			
General Medical & Surgical Hospitals	8062	7,510	852	-6,658	-89	19
Airports, Flying Fields & Services	4581	5,158	1,931	-3,227	-63	9
Book Stores	5942	2,528	368	-2,160	-85	6
Computer Related Services	7379	2,536	926	-1,610	-63	5
Automobile Parking	7521	2,238	703	-1,535	-69	4
Passenger Transport Arrangement	4729	1,421	143	-1,278	-90	4
Aircraft	3721	1,205	13	-1,192	-99	3
Department Stores	5311	2,265	1,138	-1,127	-50	3
Accounting, Auditing & Bookkeeping	8721	3,866	2,901	-965	-25	3
Commercial Nonphysical Research	8732	2,051	1,174	-877	-43	2
<b>Total Job Loss</b>				<b>-35,161</b>		

Sources: D&B, Milken Institute



## Industries by Sales Revenues

As noted above, employment growth from 1992 to 2002 strongly suggested expansion of the West Los Angeles industry base. Similarly, sales revenues quantified not only the size of the growth, but the strength and quality of the 10-year development. Sales revenues for crude petroleum and natural gas amounted to over \$75 billion in 2002, followed by hotels and motels that recorded more than \$4.4 billion in total sales revenues. Aggregate sales revenues per business in the finance, insurance and real estate sector rose from \$13 million in 1992 to \$14 million in 2002. Conversely, average sales revenues per business for loan brokers declined to \$8 million in 2002 as compared to \$14 million in 1992.

**Table 25-III**  
**West Los Angeles - Top 20 Industries**  
**Ranked by Total Sales Revenues, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Crude Petroleum & Natural Gas	1311	8	7,502	351
Hotels & Motels	7011	121	4,454	10,140
Aircraft	3721	3	2,882	13
Security Brokers & Dealers	6211	154	2,187	2,706
TV Broadcasting Stations	4833	25	1,311	7,199
Legal Services	8111	1,939	1,189	14,024
Subdividers & Developers	6552	136	1,111	1,007
Drugs, Proprietaries & Sundries	5122	41	1,079	712
Nonresidential Building Operators	6512	191	1,055	1,290
Motion Picture & Video Production	7812	637	1,008	8,122
New Used Car Dealers	5511	29	984	1,575
Loan Brokers	6163	122	910	659
Life Insurance	6311	24	825	1,429
Aircraft Eng & Eng Parts	3724	2	773	550
National Commercial Banks	6021	35	770	902
Eating Places	5812	985	705	16,316
Prepackaged Software	7372	76	699	2,352
Theatrical Producers & Services	7922	182	637	1,825
Real Estate Investment Trust	6798	37	633	293
Toilet Preparations	2844	18	616	1,240

Sources: D&B, Milken Institute



### Business Establishments by Ownership and Employment Class Size, 2002

An important aspect of West Los Angeles' business base is its preponderance of small-sized businesses with less than 10 employees (82.4 percent). Upwards of 19,000 small businesses accounted for 19 percent of the area's workforce and generated more than \$4.7 billion in sales revenues, a remarkable 32 percent of West Los Angeles' total sales revenues. Clearly, small businesses are an important driver of the West Los Angeles economy.

**Table 26-III**

<b>West Los Angeles - Establishments by Ownership (EmpHere = EmpTotal), 2002</b>				
	<b>Business Count</b>	<b>Emp.</b>	<b>Sales Rev. (\$Mil.)</b>	<b>% of Total Establ.</b>
Total	24,057	240,752	14,672	100
Minority-Owned	1,253	12,551	652	5
Women-Owned	3,507	14,522	1,145	15

Sources: D&B, Milken Institute

The 2002 business ownership breakdown showed that 5 percent of businesses were owned by minorities and accounted for 5 percent of West Los Angeles' employment. Fifteen percent of businesses were owned by women and employed 6 percent of the area's total workforce.

**Table 27-III**

**West Los Angeles - Establishments by Employment Class Size  
(EmpHere = EmpTotal), 2002**

	<b>Emp. = 100</b>		<b>Emp. 10 to 99</b>		<b>Emp. 1 to 9</b>		<b>Total # of Establ.</b>
	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	
Total	341	1.4	3,888	16.2	19,828	82.4	24,057
Minority-Owned	7	0.6	180	14.4	1,066	85.1	1,253
Women-Owned	9	0.3	289	8.2	3,209	91.5	3,507

Sources: D&B, Milken Institute

While the absolute number of companies with 100 or more employees is small, their importance in employment terms is nevertheless significant; they employed more than 38 percent of the area's employees. The Walt Disney Company and Team-One Employment Specialists LLC provided a large number of jobs in West Los Angeles.



## Concluding Points

The West Los Angeles economy is dominated by the services sector. In 2002, service-providing industries accounted for more than 56 percent of the area's total employment and 57 percent of total establishments. The area's population dynamics and composition of its labor force contribute to this rapid growth. The area attracts higher-value producing firms that in turn attract and maintain larger numbers of professionals who reside or work in the area. This dynamic has maintained business development there despite the high costs associated with West Los Angeles.

The second-largest West Los Angeles industry sector by business count is retail trade with 3,835 establishments in 2002. Increased population, business growth and tourism contributed to business and employment growth in retail trade, particularly as both businesses and residents continued to view the area as the preferred location in the city.

West Los Angeles' major academic institutions and research centers, and supply of skilled labor, offer incentives for knowledge-based companies to locate to West Los Angeles and develop skill-based technologies. West Los Angeles has a distinct competitive advantage as its highly-educated workforce anchors businesses there.

Legal services experienced strong business growth. West Los Angeles is the heart of the region's financial sector, creating opportunities for legal professionals to develop a local commercial and private client base and offer expertise in specialized areas, such as finance with an international bias, high-tech and telecommunications.

The export-driven motion picture industry is a very positive economic force in West Los Angeles. Entertainment companies such as 20<sup>th</sup> Century Fox and Digital Domain are the source of a large number of high-paying jobs for area residents. The motion picture industry has also attracted high-tech businesses to the area that in turn stimulated demand for the South Valley's construction jobs and retail jobs.

While wages in the industry sectors that contributed significantly to the area's job creation rose over the decade from 1992 to 2002, the analysis shows that the wages of workers with advanced degrees rose noticeably more than those of less-skilled workers. As the findings reveal, a number of the jobs gained over this time period were in lower-paying occupations.

In West Los Angeles, the cost of doing business, rental rates and housing costs are higher than in the rest of the city. The high cost of housing has forced a large number of workers to commute into West Los Angeles, and the resulting transportation congestion is likely to impact the area's future growth. West Los Angeles' economic growth could stall if inadequate employee housing and traffic jams discourage new business relocations and encourage existing companies to consider moving. On the positive side, high standards of living and low crime rates keep businesses in the area.

West Los Angeles has a dynamic entrepreneurial business culture that creates opportunities for job expansion. The importance of entrepreneurship to West Los Angeles' economic development is reflected in the area's ratio of business startups per 100,000. In 2002, 140 businesses per 100,000 people were established. The area's business startups in the motion picture and video production industry accounted for 4 percent of West Los Angeles' business startups in 2002.





## City of Los Angeles: Establishment Trends by Planning Areas

### Central Los Angeles

#### Overview of the Central Los Angeles Planning Area

Over the 10 year period spanning 1992-2002, Central Los Angeles saw its economy shift from a reliance on large financial institutions and businesses headquartered downtown to a rising number of smaller, service-based industries located in the areas surrounding downtown. Even though Central Los Angeles has excellent access to the global marketplace, via its proximity to Los Angeles International Airport and the Port of Los Angeles, most of Los Angeles' growth industries remain domestically and primarily locally oriented.

On a positive note, in 2002, eight out of 10 growing industries in terms of business count yielded high sales revenues, a positive development for the local treasury, since high sales revenues translate into high corporate income taxes.

Central Los Angeles was strongly affected by the consolidation and relocation of major banks and financial services that occurred between 1992 and 2002. The national commercial banking industry declined in business count by 41 percent and in employment totals by 1,700 jobs, a 56 percent decline from 1992 levels. While merger activity in commercial banking progressed since the 1992 losses of First Interstate Bank and Security Pacific Bank, there has been a slowdown in new bank establishments. Contributing factors to this decline in business count in the industry were consolidations and banks relocating their offices to the more prosperous Westside from downtown during the recession years of the 1990s, when the cost differential between rental office space in Central Los Angeles and West Los Angeles was not high.

Overall, Central Los Angeles' economy reflects the increasing gap between the highly educated and low-skilled, low-wage workers. The majority of occupations that were lost from 1992-2002 tended to be higher-wage jobs, particularly those requiring a moderate education, such as high-end manufacturing and clerical work at financial institutions.

#### Profile of the Central Los Angeles Planning Area

Central Los Angeles encompasses the following communities: Central City, Central City North, Hollywood, Westlake and Mid-Wilshire. Centrally located, downtown Los Angeles is slowly becoming a vibrant residential, shopping and business district, although it is unlikely to ever have the advantages of other major American cities such as New York or Chicago. Downtown Los Angeles is comprised of several major sub-districts: The Civic Center and Little Tokyo, the Fashion District, the Historic Downtown Core, New Downtown (Bunker Hill or the Financial District), the old Pueblo and Chinatown, South Park, and the Wholesale District/Skid Row.

In 2000, Central Los Angeles' population was 658,913, of which Hispanics accounted for 44.5 percent (44 percent in 1990), Whites comprised 27.3 percent (32 percent in 1990), Asians made up 18 percent (16 percent in 1990) and African Americans accounted for 7 percent (8 percent in 1990). It is interesting to note that Central Los Angeles' population has grown only 4 percent since 1990 and the demographic composition has not changed as radically as compared to other parts of the city.



Whites declined as a percent of the total population, but the other ethnic groups have not experienced significant changes. In 2000, 78 percent of Central Los Angeles' population was under age 50. Median annual household income amounted to \$29,502.

Central Los Angeles' multi-ethnic population provides many cross-cultural trade opportunities, but at the same time, restricts the ability of the region to provide skilled labor with the necessary English proficiency for higher paying jobs. The area's economy is dominated by the presence of smaller companies engaged in cross-cultural trade and small-scale production. Downtown's revitalized industrial districts are filled with merchants and buyers speaking a mixture of Farsi, Hebrew, Spanish, Chinese, Korean and English. These districts appear to be more vibrant and dynamic when compared to the longstanding weakness of the downtown area's office market, which has been losing enterprises and tenants to other parts of the city. A number of ethnic businesses prefer the geography of downtown with its transit links, diverse population and relatively cheap office space.<sup>1</sup> The apparel and textile industry, with its large percentage of both immigrant owners and employees, is especially important to the local economy and plays an important role in the area's export market.

Demographics alone are not the full story. Educational attainment also plays a role. According to Census 2000 statistics,<sup>2</sup> 17 percent finished their high school diploma while 19 percent of Central Los Angeles' population over age 24 earned a BA/BS degree. Thus, the level of education of that area's population may not meet the demand for advanced skills in that area.

Ironically, considering the local population's relative lack of educational attainment, the area has a significant presence of universities, colleges and other institutions of higher learning. Among the better known institutions are the University of Southern California, Loyola Law School, Newton International College and the Cleveland Chiropractic College. The area is also home to an array of headquarters for leading businesses, including Paramount Pictures, the Southern California Gas Company, Transamerica Life Insurance Annuity, Capitol Group Companies, Los Angeles Times Communications and Pacific Enterprises.

Central Los Angeles boasts an array of cultural amenities, including the Los Angeles Convention Center, the Staples Center, and the Music Center complex with the Dorothy Chandler Pavilion and the recently opened Disney Concert Hall, home of the Los Angeles Philharmonic. Moreover, the area benefits from easy access to a number of museums, such as the Japanese American National Museum, the Museum of Contemporary Art and the California Science Center.

## Industry Profile

Table 28 summarizes Los Angeles' business and employment trends over the 1992-2002 period.

**Table 28-III**

Central Los Angeles - Economic Overview													
Sector	SIC	1992				2002				1992-2002			
		Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	% Growth Business	% Growth Emp.		
Services	SV	14,678	24,584	194,271	45	51	17,723	21,851	198,648	46	51	21	2
Retail Trade	RT	7,068	5,130	48,378	21	13	8,449	5,108	54,558	22	14	20	13
Construction	CN	726	700	5,587	2	1	806	637	4,980	2	1	11	-11
Finance, Insurance & Real Estate	FI	2,649	24,315	41,110	8	11	2,887	16,505	36,160	7	9	9	-12
Transp, Commun & Public Utilities	TU	916	6,194	27,241	3	7	1,126	6,236	29,857	3	8	23	10
Wholesale Trade	WT	4,336	10,675	28,656	13	7	5,146	11,065	31,044	13	8	19	8
Mining	ML	22	4	194	0	0	11	2,846	2,236	0	1	-50	1,053
Agriculture, Forestry & Fishing	AF	87	46	557	0	0	120	22	639	0	0	38	15
Manufacturing	MF	2,447	4,819	38,558	7	10	2,614	4,749	32,443	7	8	7	-16
<b>Total</b>		<b>32,929</b>	<b>76,468</b>	<b>384,552</b>	<b>100</b>	<b>100</b>	<b>38,882</b>	<b>69,019</b>	<b>390,565</b>	<b>100</b>	<b>100</b>	<b>18</b>	<b>2</b>

Sources: D&B, Milken Institute





## Services

A breakdown of Central Los Angeles' industry sectors reveals that the area's largest industry sector by far is services. In 2002, Central Los Angeles' services sector accounted for 51 percent of total employment and 46 percent of total establishments. Large numbers of establishments are found in business services, followed by health services and engineering, accounting, research, management and related services. A number of Central Los Angeles' largest providers of business services in 2002 were in detective, guard and armored car services, such as ABM Security Services Inc. and AT Systems West Inc. However, the bulk of the area's business service establishments were small-sized businesses with less than 10 employees (84 percent). They included a high concentration of commercial art graphics, employment agencies, interior design and advertising services.

Legal services exhibited growth in terms of employment and business count and comprised about 10 percent of that sector's total establishments. The large number of law firms and related services, including the headquarters of the national law firms Latham and Watkins, and Gibson, Dunn and Crutcher, LLC, provide primarily high-paying opportunities.

Jobs increased significantly for amusement and recreation services workers and for membership organization workers. For instance, Koreatown is a popular destination for Korean tourists who push the area's economy forward. Similar successful ethnic enclaves include Chinatown and Little Tokyo. The presence of historic Olvera Street near Union Station also provides a key opportunity for ethnic tourism that has historically been underutilized. The continued development of the downtown area, particularly the opening of the Walt Disney Concert Hall and the planned hotel and facilities near the Convention Center should boost tourist revenue further. The average tourist couple spends approximately \$2,000 on products and services during a 10-day visit.<sup>3</sup>

Looking more closely at Central Los Angeles' services sector indicates that it produces for both local consumption – primarily reflected in business services, health services and educational services – and for export markets – primarily reflected in the area's export oriented motion pictures industry. Total spending on film, TV and commercial production in Los Angeles County grew from \$15.9 billion in 1992 to \$21.48 billion in 1996. Much of this expansion is due to rapid growth in overseas markets. Foreign sales now account for approximately half of Hollywood's business, up from 30 percent of film revenues in 1980.<sup>4</sup>

## Retail Trade

The second-largest sector in terms of establishments and employment in Central Los Angeles is retail trade, with over 54,500 jobs and almost 8,450 establishments in 2002. Downtown Los Angeles has a vibrant and growing retail market. Its Jewelry District has the second-highest concentration of jewelers in the world. The area is also home to the Fashion District which is dominated by apparel retailers. Retail trade activity has been gaining momentum with most business and employment figures ahead of levels a decade ago.

Central Los Angeles' retail trade sector has faced difficult economic times since 1992, when many businesses left the area following the violence after the acquittals of four Los Angeles police officers in the Rodney King case. Marking the 10<sup>th</sup> anniversary of the Los Angeles riots, data shows that since 1992, Central Los Angeles' retailers in apparel and accessory stores exhibited high levels of business and employment growth, followed by food stores and miscellaneous retail activity. Out of 8,449 total retail trade establishments, 1,548 are in apparel, 18 percent of the total establishments. Moreover, almost 1,900 eating



and drinking places are among the area's largest employers in retail trade. A large array of restaurants, including Acapulco Restaurants Inc., Alley Korean Restaurant and Ana Mexican Foods demonstrate the area's need to serve an increasingly multi-racial and multi-ethnic clientele.

### **Finance, Insurance and Real Estate**

Contrary to the overall trend towards growth, the area's finance, insurance and real estate sector endured a decline of nearly 5,000 jobs, but expanded its business base by 9 percent since 1992. This sector accounted for 8 percent of the area's total establishments in 1992, dropping to 7 percent in 2002. One positive development is Bunker Hill, the "new downtown," which is home to such major corporations as Union Bank Southern California and California National Bank. Central Los Angeles' statistics for the finance, insurance and real estate sector show that establishments in real estate increased by 7 percent while depository institutions declined by 21 percent. Real estate had the highest business count in the finance, insurance and real estate sector with almost 50 percent of that sector's establishments. While banking consolidation strengthened the industry and made it more efficient, it resulted in a loss of employment and banking headquarters serving local markets and small-to medium-sized businesses. But ultimately as those merged banks expanded, they were able to serve those markets more effectively. The LAEDC found that for downtown Los Angeles, "Corporate mergers during the 1990s into recent times have had a severe impact that seemed to hammer the area especially hard (the loss of two bank headquarters, one oil company and several savings and loans)."<sup>5</sup>

### **Wholesale Trade**

The wholesale sector expanded throughout the 1992-2002 decade, exhibiting employment growth of 8 percent, while at the same time experiencing business growth of 19 percent. Augmenting this industry base, to the east of downtown's Historic Core, lies the Wholesale District and Skid Row, an area comprised of a mix of warehouses (primarily fish) and light retail (mostly toys).

### **Mining**

Activity in the mining sector contributed strong employment growth due to rising global energy prices. The primary driver contributing to local employment growth of over 2,200 employees in this sector came from Atlantic Richfield Company in the crude petroleum and natural gas industry group.

### **Manufacturing**

2002 employment figures for the area's manufacturing sector lagged behind 1992 employment figures. However, in contrast to the employment decline, the absolute number of establishments primarily engaged in manufacturing told a different story, with growth of 7 percent or more than 150 new establishments, between 1992 and 2002.

Central Los Angeles' manufacturing sector has a high proportion of establishments in the apparel and other finished products sector (27 percent), and printing, publishing and allied industries (21 percent). The leading employers in this latter sector are the *Los Angeles Times* and *Daily Journal*. In terms of business count, the area's export-oriented apparel and other finished products manufacturers declined by 12 percent, while printing, publishing and allied industries declined by 17 percent over the 1992 to 2002 decade.



The apparel and other finished products industry recorded substantial business and job losses over the decade studied partly due to foreign outsourcing. In 1992, Central Los Angeles' apparel industry was primarily a locally focused sector, from product development and design, to production and distribution. Globalization meant that more and more garment manufacturers sourced production outside of the United States, with Mexico being their principal sourcing locale for nonfashion-sensitive apparel. This industry group is primarily filled with low-wage immigrant workers. "In the past, lower-skilled African Americans found jobs as janitors, domestics and sewing machine operators. Today, lower-skilled Mexican and Central American immigrants occupy those jobs."<sup>6</sup>

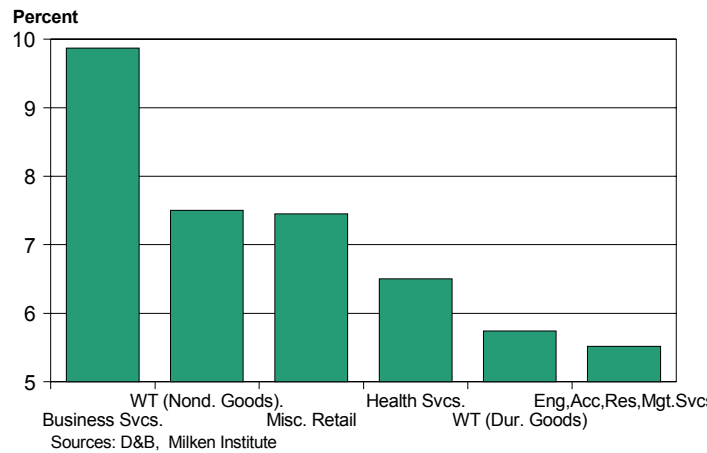
As a large number of sewing jobs have gravitated toward Mexico and other low-cost countries, the Los Angeles apparel industry is changing its face from one of low-wage manufacturing to high-end fashion creation and production. The implementation of new technologies in design, production, supply chain management and distribution translated into both job loss and job creation. As the area continues to transform its garment manufacturing into a center of fashion creation, the supply of experienced sewing operators should expand, with growing opportunities for college and vocational school-educated apparel workers.<sup>7</sup> The LAEDC observed in 2004 that "This sector does seem to be stabilizing, due to shifts in the apparel industry. There is renewed interest in the U.S. and abroad in Los Angeles' style."<sup>8</sup>

### **Distribution of Central Los Angeles' Business Establishments**

Central Los Angeles' economy was still being driven by the same kinds of establishments in 2002 that were present in 1992. The area's establishments that had 5 percent or more of Central Los Angeles' total establishments in 2002 were business services, wholesale trade of nondurable goods, miscellaneous retail, health services, wholesale trade of durable goods, and engineering, accounting, research and management services.



**Figure 7-III**  
**Central Los Angeles - Leading Industries**  
 Share of Total Establishments, 2002



Business count grew in the area by 18 percent over the decade studied, adding almost 6,000 new establishments. The top gainers in terms of business count were business services, legal services, women’s and children’s clothing, retail trade stores and eating places. Establishments engaged in advertising agencies, developers, travel agencies and nonresidential building operators declined in business count. A complete list of the top 10 growing and declining industries is shown in Table 29.

**Table 29-III**

Central Los Angeles - Top 10 Growing & Declining Industries											
Ranked by Change in Business Count, 1992-2002											
Industry	SIC	1992			2002			Change in Business Count	1992-2002		
		Business Count	Sales Rev. (\$Mil.)	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.		% Growth		
									Business Count	Sales Rev.	Emp.
Miscellaneous Business Services	7389	1,205	686	10,595	1,678	878	9,334	473	39	28	-12
Legal Services	8111	1,469	2,546	19,528	1,792	2,495	21,945	323	22	-2	12
Women's and Children's Clothing	5137	660	852	3,111	927	1,126	4,332	267	40	32	39
Miscellaneous Retail Stores	5999	353	138	1,570	618	251	2,431	265	75	83	55
Eating Places	5812	1,565	493	16,568	1,800	557	19,231	235	15	13	16
Nondurable Goods	5199	265	240	1,223	492	357	2,097	227	86	49	71
Business Consulting Miscellaneous	8748	154	129	2,514	337	208	3,610	183	119	62	44
Jewelry Stores	5944	411	159	1,224	591	188	1,569	180	44	18	28
Entertainers & Entertainment Groups	7929	65	86	491	227	176	921	162	249	106	88
Religious Organizations	8661	322	268	2,980	483	243	3,456	161	50	-9	16
Advertising Agencies	7311	242	448	1,998	159	285	1,546	-83	-34	-36	-23
Developers	6552	160	260	875	78	208	505	-82	-51	-20	-42
Travel Agencies	4724	372	885	2,109	300	394	1,432	-72	-19	-55	-32
Nonresidential Building Operators	6512	288	634	2,195	219	204	1,906	-69	-24	-68	-13
Commercial Printing, Lithographic	2752	202	295	3,082	140	105	1,242	-62	-31	-64	-60
Women's Juniors' & Misses' Dresses	2335	152	212	1,995	94	116	924	-58	-38	-45	-54
National Commercial Banks	6021	105	449	3,111	62	567	1,369	-43	-41	26	-56
Women's & Misses' Outerwear	2339	264	612	4,417	227	460	2,319	-37	-14	-25	-47
Typesetting	2791	47	8	202	11	1	31	-36	-77	-83	-85
Women's & Misses' Blouses & Shirts	2331	86	76	1,034	56	179	653	-30	-35	137	-37

Sources: D&B, Milken Institute

Even though Central Los Angeles is ideally situated for expanding foreign trade and further developing export industries, given its excellent access to the global marketplace through Los Angeles International Airport and the Port of Los Angeles, most industries that grew there in terms of establishments were domestic, such as eating places and religious organizations. Central Los Angeles’ apparel industry, which is more focused on export, did experience strong business growth within its women’s and children’s clothing industry.

In 2002, eight out of 10 growing industries in terms of business count yielded high sales revenues, a positive development for the local treasury, since high sales revenues translate into high revenues in terms of corporate income taxes.



National commercial banks in Central Los Angeles declined in business count by 41 percent, shedding more than 1,700 jobs, a 56 percent employment decline from 1992 levels. Contributing factors to this decline were bank consolidations and relocation to West Los Angeles.

The most critical challenge facing Los Angeles and key metropolitan regions is to secure a major role in emerging information-driven industries. “For some years observers have assumed that it is technological innovation that is powering the Great American Prosperity Machine and sustaining America’s preeminence in industries ranging from pharmaceuticals to entertainment to software.”<sup>9</sup>

As compared to 1992, in 2002, Central Los Angeles’ high-tech sector remained at an 8 percent share of the area’s overall employment base and stayed at 6 percent in terms of the area’s businesses. When looking solely at employment figures, Central Los Angeles’ high-tech manufacturing industry has not been a very dynamic segment of the economy. However, the sector showed 90 percent growth in its business base between 1992 and 2002.

Within the area’s high-tech services, motion pictures — led by Paramount Pictures Inc. headquartered in Hollywood — accounted for the largest share of business count and employment in 2002. Los Angeles retained its preeminent position in the motion picture industry by adapting to technology-intensive activities.

It is also remarkable that computer and data processing services grew by 135 percent, adding almost 300 establishments. In the vibrant computer industry, large companies are well-equipped, whereas the area’s small companies that are involved in computer and data processing services (81 percent in 2002) have to keep up with technology change and respond to the market in a timely manner, while keeping their prices lower than the larger competitors. Such challenges are met with the area’s ethnic local supply networks.

Within telecom<sup>TM</sup> services, business count grew by 277 percent, while employment declined by 42 percent. This decline is partly due to the phenomenon of business process outsourcing and business services outsourcing. Certain sectors, e.g. computers and electronic products manufacturing, professional and business services, and information industries such as telecomm, felt a disproportionately greater negative impact from outsourcing.

Research and testing activities represent 0.3 percent of Central Los Angeles’ total business establishments with 135 businesses and 2,550 employees accounting for 0.7 percent of the area’s total employment base in 2002.



### Startup Establishments, 2002

In 2002, 70 businesses were established in the miscellaneous business services category. This industry accounted for 7 percent of the area’s startups and included establishments primarily engaged as sewing contractors. New establishments in eating places, and motion picture and video production represented a major force in the entrepreneurial dynamics of Central Los Angeles. Measured by business startups per 100,000 people in 2002, 153 new establishments per 100,000 people were established – the highest number of startups among the remaining planning areas.

**Table 30-III**  
**Central Los Angeles - Top 5 Business Startups, 2002**

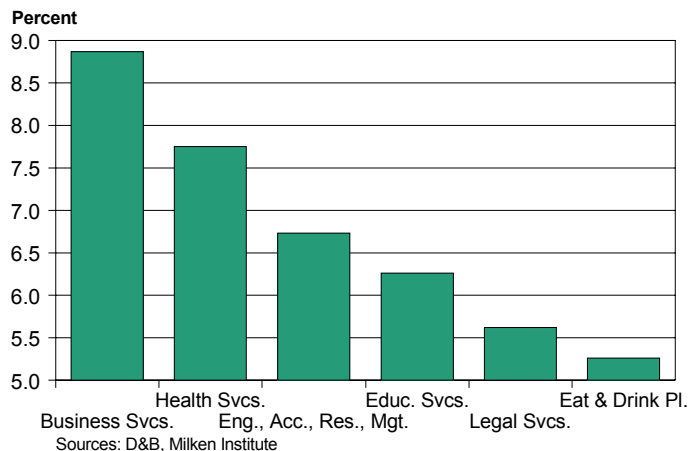
Industry	SIC	Business Count	Sales Rev. (\$Mil.)	Emp.	% Share of Total Business Startups
Miscellaneous Business Services	7389	70	19	239	7%
Eating Places	5812	39	19	744	4%
Motion Picture & Video Production	7812	37	77	448	4%
Women's and Children's Clothing	5137	30	33	110	3%
Miscellaneous Retail Stores	5999	25	6	62	2%
<b>Total Business Startups</b>		<b>1,011</b>			

Sources: D&B, Milken Institute

### Employment Opportunities

Central Los Angeles has a diversified economic base. In 2002, its leading industries, i.e. those that comprised 5 percent or more of the area’s total employment, were business services, health services, engineering, accounting, research and management services, educational services, legal services, and eating and drinking places.

**Figure 8-III**  
**Central Los Angeles - Leading Industries**  
Share of Total Employment, 2002





As the numbers in Table 31 indicate, the area's largest employers in 2002 were legal services, eating places, and colleges, universities and professional schools. General medical and surgical hospitals accounted for over 11,700 employees, followed by the fifth-largest employer – miscellaneous business services – which employed an aggregate of over 9,300 workers.

**Table 31-III**  
**Central Los Angeles - Top 20 Industries**  
**Ranked by Employment, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Legal Services	8111	1,792	2,495	21,945
Eating Places	5812	1,800	557	19,231
Colleges, Universities & Prof. Schools	8221	94	1,035	19,136
General Medical & Surgical Hospitals	8062	29	1,547	11,717
Miscellaneous Business Services	7389	1,678	878	9,334
Motion Picture & Video Production	7812	855	6,169	8,645
Management Consulting Services	8742	505	475	8,304
Offices, Clinics of MDs	8011	1,165	635	8,040
Hotels & Motels	7011	207	163	7,224
Insurance Agents, Brokers & Services	6411	420	3,388	6,640
US Postal Service	4311	20	N.A.*	6,355
Newspapers	2711	81	423	5,978
Services Allied To Motion Pictures	7819	317	710	5,216
Real Estate Agents & Managers	6531	679	767	5,211
Individual Family Services	8322	321	380	4,538
Grocery Stores	5411	374	324	4,441
Detective & Armored Car Services	7381	94	43	4,385
Women's and Children's Clothing	5137	927	1,126	4,332
Jewelry & Precious Stones	5094	963	1,146	4,133
Accounting, Auditing & Bookkeeping	8721	418	85	3,805

Sources: D&B, Milken Institute

\*Note: Data not available



Table 32 shows, that general medical and surgical hospitals, electric services,<sup>10</sup> eating places, and cable and other pay television services created most of the area's jobs since 1992.

**Table 32-III**

**Central Los Angeles - Top 10 Industries  
Ranked by Job Creation, 1992-2002**

Industry	SIC	Emp.		Job Creation 1992-2002	% Emp. Growth	% Share of Total Job Creation
		1992	2002			
General Medical & Surgical Hospitals	8062	5,622	11,717	6,095	108	9
Electric Services	4911	22	3,632	3,610	16,409	5
Eating Places	5812	16,568	19,231	2,663	16	4
Cable/Pay TV Services	4841	1,200	3,741	2,541	212	4
Legal Services	8111	19,528	21,945	2,417	12	3
Crude Petroleum & Natural Gas	1311	166	2,215	2,049	1,234	3
Insurance Agents, Brokers & Services	6411	4,891	6,640	1,749	36	2
Individual Family Services	8322	2,901	4,538	1,637	56	2
Computer Related Services	7379	295	1,583	1,288	437	2
Information Retrieval Services	7375	107	1,375	1,268	1,185	2
<b>Total Job Creation</b>				<b>70,404</b>		

Sources: D&B, Milken Institute

Electric services was the leader in a comparison of average annual wages among the top five industry sectors that provided most of the jobs in the 10-year period studied with an average annual wage of \$83,051 per employee, while legal services were close behind with an average annual wage per employee of over \$70,000. In last place, was the industry group classified as eating places at \$14,000 per employee.

**Table 33-III**

**Central Los Angeles - Top 10 Industries  
Ranked by Job Loss, 1992-2002**

Industry	SIC	Emp.		Job Loss 1992-2002	% Emp. Growth	% Share of Total Job Loss
		1992	2002			
Fire, Marine & Casualty Insurance	6331	5,913	377	-5,536	-94	10
Data Processing & Preparation	7374	5,706	2,247	-3,459	-61	6
Specialty Hospitals, Except Psychiatric	8069	4,461	1,004	-3,457	-77	6
Telephone Communication, Except Radio	4813	5,446	3,035	-2,411	-44	5
Women's & Misses' Outerwear	2339	4,417	2,319	-2,098	-47	4
Commercial Printing, Lithographic	2752	3,082	1,242	-1,840	-60	3
National Commercial Banks	6021	3,111	1,369	-1,742	-56	3
Savings Institutions, Fed Chartered	6035	2,034	428	-1,606	-79	3
Department Stores	5311	2,400	894	-1,506	-63	3
Accounting, Auditing & Bookkeeping	8721	5,152	3,805	-1,347	-26	3
<b>Total Job Loss</b>				<b>-53,499</b>		

Sources: D&B, Milken Institute

Central Los Angeles' economy is typified by economic inequality, reflecting an increasing gap between highly educated, high-paid workers and low-skilled, low-wage workers. Miller made this observation about Los Angeles: "On the one hand, the region had developed 'technopoles'. . . But at the same time, it has also developed thriving craft businesses that make apparel, jewelry and furniture. Those low-wage industries can compete with factories in the developing world because they count on a constant flow of immigrants from Asia, Mexico and Central America, many of them undocumented."<sup>11</sup>





## Industries by Sales Revenues

In 2002, industries that ranked high on the list in terms of sales revenues were motion pictures and video production, life insurance and insurance agent services.

The motion picture and video production industry posted \$7 million in sales revenues per business count in 2002. This compares with \$8 million in sales revenues per business count in 1992.

Table 34 lists the top 20 Central Los Angeles industries with high total sales revenues.

**Table 34-III**  
**Central Los Angeles - Top 20 Industries**  
**Ranked by Total Sales Revenues, 2002**

Industry	SIC	Business Count	Sales Rev. (\$Mil.)	Emp.
Motion Picture & Video Production	7812	855	6,169	8,645
Life Insurance	6311	16	3,629	2,570
Insurance Agents, Brokers & Services	6411	420	3,388	6,640
Natural Gas Distribution	4924	4	2,858	2,524
Crude Petroleum & Natural Gas	1311	6	2,845	2,215
Legal Services	8111	1,792	2,495	21,945
Metals Service Centers & Offices	5051	20	2,020	173
Fire, Marine & Casualty Insurance	6331	19	1,834	377
General Medical & Surgical Hospitals	8062	29	1,547	11,717
State Commercial Banks	6022	61	1,469	3,029
Accident & Health Insurance	6321	12	1,468	488
Fresh Fruits & Vegetables	5148	162	1,452	2,956
Cable Pay TV Services	4841	18	1,169	3,741
Jewelry & Precious Stones	5094	963	1,146	4,133
Women's and Children's Clothing	5137	927	1,126	4,332
Colleges, Universities & Prof. Schools	8221	94	1,035	19,136
Bottled & Canned Soft Drinks	2086	3	980	300
Hospital & Medical Service Plans	6324	4	941	370
Miscellaneous Business Services	7389	1,678	878	9,334
Local & Suburban Transit	4111	11	807	1,551

Sources: D&B, Milken Institute

## Business Establishments by Ownership and Employment Class Size, 2002

Establishments owned by minorities or women comprised only 11 percent and 14 percent, respectively, of Central Los Angeles' total establishments in 2002. What might make economic self-sufficiency through business ownership problematic is the degree to which success depends upon education levels and previous work experience.



**Table 35-III**  
**Central Los Angeles - Establishments by Ownership**  
**(EmpHere = EmpTotal), 2002**

	<b>Business Count</b>	<b>Emp.</b>	<b>Sales Rev. (\$Mil.)</b>	<b>% of Total Establ.</b>
Total	36,314	319,016	25,693	100
Minority-Owned	4,152	28,793	2,507	11
Women-Owned	5,140	22,608	2,054	14

Sources: D&B, Milken Institute

As shown in Table 36, small-size businesses drive Central Los Angeles' economic base. In 2002, more than 84 percent of Central Los Angeles' businesses were small businesses with less than 10 employees. Over 30,500 small-size establishments employed nearly 85,700 workers (27 percent of the area's total workforce). A mere 1 percent of Central Los Angeles' establishments had 100 or more employees, yet they employed 34 percent of the area's total workers.

**Table 36-III**  
**Central Los Angeles - Establishments by Employment Class Size**  
**(EmpHere = EmpTotal), 2002**

	<b>Emp. = 100</b>		<b>Emp. 10 to 99</b>		<b>Emp. 1 to 9</b>		<b>Total # of Establ.</b>
	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	
Total	379	1.0	5,393	14.9	30,542	84.1	36,314
Minority-Owned	13	0.0	548	1.5	3,591	9.9	4,152
Women-Owned	9	0.0	453	1.2	4,678	12.9	5,140

Sources: D&B, Milken Institute

## Concluding Points

Central Los Angeles's role as the historic center of finance and wholesale trade continues to strongly color the makeup of the area. In 2002, Central Los Angeles' services sector accounted for 51 percent of total employment and 46 percent of total establishments. The area's strength can be measured by its high concentration of business services, followed by health services and engineering, accounting, research, management and related services, as well as continued establishment and employment growth in legal services. Central Los Angeles' services sector caters to both local consumption, reflected primarily in business services, health services and educational services, and to export markets, primarily reflected by the motion picture industry. Overall, the area's economy is marked by a division between highly educated and low-skilled workers.

Central Los Angeles' finance, insurance and real estate sector lost nearly 5,000 jobs, but expanded its business base by 9 percent since 1992. This sector accounted for 8 percent of the area's total establishments in 1992, dropping to 7 percent in 2002. The 21 percent decline in the number of depository (banking) establishments was the single most significant factor. One positive development is Bunker Hill, the "new downtown," which is home to such major corporations as Union Bank of Southern California and California National Bank.



The second-largest sector in Central Los Angeles is retail trade. The continued development of wholesale trade and independent retailers to the south and east of downtown has provided the area with a source of hope amidst the declines in the financial sector. In light of the importance of employment creation, the increase in low-end service jobs and eating places indicates the area's high demand for less-skilled labor. Retail trade activity has been gaining momentum with most business and employment figures ahead of 1992 levels. Retailers in apparel and accessory stores exhibited high levels of employment growth and accounted for an impressive 18 percent share of establishments in 2002. The wholesale sector continued to expand throughout the decade studied, exhibiting employment growth of 8 percent and business growth of 19 percent.

Central Los Angeles' manufacturing sector gradually changed its focus from larger-scale facilities to smaller, independent manufacturers as overall employment within the sector declined since 1992. Although the number of employees in manufacturing dropped, the number of establishments grew by 7 percent from 1992 to 2002. The area's manufacturing sector has a high concentration of apparel and other finished product manufacturers (27 percent), and printing, publishing and allied industries (21 percent). However, the apparel and other finished products industry recorded substantial business and job losses over the decade studied largely due to cheaper overseas competition. As the area transforms its garment manufacturing into a center of fashion creation, the supply of experienced sewing operators should expand, with growing opportunities for college and vocational school-educated apparel workers.





## City of Los Angeles: Establishment Trends by Planning Areas

### East Los Angeles

#### Overview of the East Los Angeles Planning Area

East Los Angeles has particular and unique demographic characteristics that underscore the area's multicultural and multigenerational interaction. Since its founding in the 1880s, the area has been home to waves of immigrants. Its overall history is a reflection of the ethnically diverse growth patterns of the City of Los Angeles. Between 1920 and 1950, Boyle Heights was Los Angeles' most heterogeneous neighborhood, serving as home to large concentrations of Jews, Mexicans, Japanese Americans, Russians, African Americans and people of Armenian, Italian and Chinese descent.

By the mid-60s, the Jewish community had substantially relocated to West Los Angeles, the Japanese community dwindled, and the neighborhood shifted to an overwhelmingly Latino area. East Los Angeles' mono-cultural experience was summarized by Ong et al. as follows: "As a result of urban renewal and the Bracero program of the 1950s, the neighborhood as become predominantly Mexican."<sup>1</sup> Thus, over the last few decades East Los Angeles has become home to the single greatest population of Chicanos/Mexicanos, as well as the broader category of Hispanics. A notable recent development is the formation of the community made up by refugees from El Salvador, Guatemala and Nicaragua.

East Los Angeles is a predominantly residential area and ethnic networks are a common feature. Shared language and culture underlie these ethnic networks and strengthen the ties among them. As a result, East Los Angeles' ethnic businesses concentrate on consumer services serving the local population and thus do not put themselves into the context of the global economy.

#### Profile of the East Los Angeles Planning Area

The East Los Angeles urban community, one of Los Angeles' most densely populated planning areas, is anchored by Boyle Heights, Northeast Los Angeles and Silver Lake.

In 2000, East Los Angeles had a population of 405,126 people, exhibiting a 1 percent decline since 1990. Within Los Angeles city, East Los Angeles was the only planning area to experience a population decline over the 1990-2000 decade. When compared to the other planning areas within Los Angeles, East Los Angeles had the highest concentration of Hispanics, which comprised 71 percent of its population in 2000, up from 69 percent in 1990. Asians were the area's second-largest ethnic group comprising 14 percent of East Los Angeles' population, down from 15 percent in 1990, followed by Whites at 12 percent in 2000, down from 15 percent in 1990.<sup>2</sup> A median annual income of \$31,168 in East Los Angeles was the second-lowest among the city's seven planning areas.

East Los Angeles' universities and academic institutions include California State University, University of Southern California School of Medicine and Occidental College. Despite the presence of these educational establishments, East Los Angeles' population is among the least educated in the city. In 2000, 17 percent of East Los Angeles' population aged 24 and over had a high school diploma and 11 percent earned a BA/BS degree, while 9 percent had no schooling.<sup>3</sup>

Cultural sites and museums of East Los Angeles include the Chinese American Museum, Heritage Square Museum and Montebello Barnyard Zoo.



## Industry Profile

Two major sectors – services and retail trade – have been driving the growth of East Los Angeles’ overall economy. From 1992 to 2002, the number of businesses in East Los Angeles grew by 34 percent or 2,027 businesses and employment increased by 7 percent or 6,571 jobs. Economic growth in East Los Angeles, however, did not lead to a major reorganization of East Los Angeles’ business base.

Table 37 provides details on East Los Angeles’ economic performance in 1992 and 2002.

**Table 37-III**

East Los Angeles - Economic Overview													
Sector	SIC	1992				2002				1992-2002 % Growth			
		Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	Emp.	Business	Emp.
Services	SV	2,232	1,360	41,101	38	44	3,453	1,654	45,498	44	45	55	11
Retail Trade	RT	1,473	1,364	11,604	25	12	1,902	1,406	11,605	24	12	29	0
Construction	CN	336	290	2,942	6	3	408	286	2,805	5	3	21	-5
Finance, Insurance & Real Estate	FI	256	137	1,736	4	2	402	211	2,275	5	2	57	31
Transp, Commun & Public Utilities	TU	195	402	5,359	3	6	265	317	8,178	3	8	36	53
Wholesale Trade	WT	561	1,709	7,138	9	8	672	1,972	7,484	8	7	20	5
Mining	ML	4	21	17	0	0	4	1	15	0	0	0	-12
Agriculture, Forestry & Fishing	AF	42	7	206	1	0	55	7	55	1	0	31	-73
Manufacturing	MF	810	2,875	23,495	14	25	775	3,421	22,254	10	22	-4	-5
<b>Total</b>		<b>5,909</b>	<b>8,165</b>	<b>93,598</b>	<b>100</b>	<b>100</b>	<b>7,936</b>	<b>9,276</b>	<b>100,169</b>	<b>100</b>	<b>100</b>	<b>34</b>	<b>7</b>

Sources: D&B, Milken Institute

## Services

East Los Angeles’ economy is highly dependent upon services. Business growth was driven mainly by growth in the services sector, which gained 1,221 businesses. This was by far the largest gain in the number of business establishments among all industrial sectors in East Los Angeles over the 1992-2002 decade. In 2002, the services sector employed over 45 percent of East Los Angeles’ workers and accounted for 44 percent of its total business establishments. Within the services sector, business growth was largely attributable to gains in business establishments in business services, personal services, health and health care, membership organizations and engineering, accounting, and research and management services. The growth among these industries reveals that East Los Angeles’ services sector produces primarily for local consumption rather than for export. The picture that emerges is one of an area with concentrations of businesses that provide lower-paying occupations and do not promote further economic and workforce development.

## Retail Trade

Typical of small business growth, the retail trade sector added nearly 430 or 29 percent more businesses, but failed to add significant numbers of new jobs to the local economy. Miscellaneous retail, and eating and drinking places gained the largest number of businesses within the retail trade sector adding 151 and 118 businesses, respectively.

Although important to the local ethnic communities, in terms of meeting the population’s shopping needs and providing jobs, these industries do not contribute to the area’s economic vitality, as they do not create ripple effects through other economic sectors. Mainly fast food and mom-and-pop shops, these retail establishments do not generate high sales revenues and thus do not add wealth to the local economy.



Since a high percentage of East Los Angeles' surrounding residents do not have cars, the proximity of Whittier Boulevard that recovered from the 1969 riots, continues to be the hub for East Los Angeles residents' shopping needs. Local retail trade establishments strongly cater to the needs of East Los Angeles' ethnic community.<sup>4</sup>

### **Finance, Insurance and Real Estate**

Nearly 150 additional finance, insurance and real estate companies, an increase of 57 percent, were formed in East Los Angeles over the 1992-2002 period. That sector's share of the area's total businesses grew from 4 percent in 1992 to 5 percent in 2002. Employment grew 31 percent adding nearly 540 new jobs to the economy.

After dismissing and neglecting Hispanic and Asian neighborhoods for many years, real estate brokers and mortgage lenders have come to realize that such neighborhoods are full of potential homebuyers. The demand among Hispanic and Asian homebuyers is high, and realtors and mortgage brokers are hoping to capitalize on this demand by catering to these ethnic communities and opening bilingual full-service brokerage firms.

### **Manufacturing**

In 2002, the manufacturing sector accounted for 22 percent of East Los Angeles' employment and provided 22,254 jobs in over 770 companies. Although the manufacturing sector in East Los Angeles lost ground in its employment (1,241 jobs lost) and business base (35 companies lost) since 1992, it remained the area's third-largest business base and the area's second-largest employer. Within the manufacturing sector, apparel and other finished products lost the largest number of jobs, accounting for nearly 70 percent of all manufacturing job losses. On a positive note, when compared to the rest of Los Angeles city, East Los Angeles did not experience as much of a large-scale withdrawal of its manufacturing labor force and business base.

### **Distribution of the East Los Angeles Establishments**

Figure 9 shows East Los Angeles' leading industries – industries with a 5 percent or greater share of the area's total business establishments in 2002. The business services industry was the most highly concentrated industry with a nearly 9 percent share of the area's total businesses. Personal services, miscellaneous retail, health and health care services, and eating and drinking places, constituting the area's other leading industries, followed with significantly smaller shares.



**Figure 9-III**  
**East Los Angeles - Leading Industries**  
Share of Total Establishments, 2002

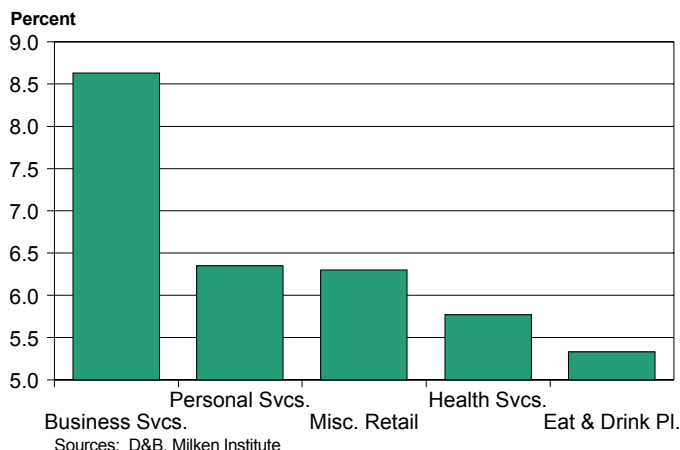


Table 38 shows the top 10 growing and declining industries in East Los Angeles in terms of change in the number of businesses from 1992 to 2002.

East Los Angeles gained a relatively high number of establishments in eating places, beauty shops and religious organizations. The growth among faith-based organizations can be largely explained by the population's need for social services and assistance, a result of high poverty – the working poor accounted for 32 percent in 2000.<sup>5</sup> Growth in business count within these industries reflects the increasing demand of a low-skilled workforce.

With the exception of the motion picture and video production industry, the remaining industries on the top 10 growing industries list are industries that produce for domestic consumption, and many of them do not require a highly educated workforce. These industries do not yield high sales revenues and do not have considerable economic impacts in terms of ripple effects. They also do not draw other companies, in particular high-tech knowledge based companies, to the East Los Angeles area.

Among the top 10 declining industries, three were manufacturing industries. The area's manufacturing establishments declined due to outsourcing and restructuring decisions, as well as to workforce characteristics.





Table 38-III

East Los Angeles - Top 10 Growing & Declining Industries, 1992-2002 Ranked by Change in Business Count											
Industry	SIC	1992			2002			Change in Business Count	1992-2002 % Growth		
		Business Count	Sales Rev. (\$Mil.)	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.		Business Count	Sales Rev.	Emp.
Miscellaneous Business Services	7389	144	120	2,210	304	169	2,789	160	111	41	26
Eating Places	5812	266	64	1,922	406	64	2,745	140	53	0	43
Beauty Shops	7231	116	6	273	218	9	471	102	88	55	73
Religious Organizations	8661	135	113	876	233	118	1,102	98	73	4	26
Miscellaneous Retail Stores	5999	56	29	258	123	29	318	67	120	0	23
Individual & Family Services	8322	28	28	404	85	41	833	57	204	47	106
Motion Picture & Video Production	7812	29	11	108	83	47	392	54	186	316	263
Management Consulting Services	8742	32	42	306	85	61	580	53	166	46	90
Medical Clinics	8011	148	149	1,524	198	107	1,405	50	34	-28	-8
Real Estate Agents & Managers	6531	72	24	329	112	34	473	40	56	40	44
Drinking Places	5813	39	5	181	17	2	69	-22	-56	-58	-62
Women's, Juniors' & Misses' Dresses	2335	22	52	381	7	17	116	-15	-68	-68	-70
Radio/TV Repair	7622	26	2	42	15	1	22	-11	-42	-57	-48
Gasoline Service Stations	5541	55	32	252	46	20	183	-9	-16	-38	-27
Women's Clothing Stores	5621	57	10	181	48	19	303	-9	-16	97	67
Garment Pressing, Cleaners	7212	25	1	43	16	1	32	-9	-36	-35	-26
Engineering Services	8711	25	10	140	16	6	156	-9	-36	-39	11
Women's & Misses' Blouses & Shirts	2331	14	34	405	6	28	196	-8	-57	-18	-52
Industrial Machinery	3599	29	42	325	21	39	524	-8	-28	-6	61
Hardware Stores	5251	25	12	138	17	7	100	-8	-32	-43	-28

Sources: D&amp;B, Milken Institute

“Technology is having a pervasive influence on the spatial distribution of economic activity and, more importantly, the relative rate of growth among metropolitan areas within the United States. . . High-tech activity can explain 65 percent of the growth differential between metros in the 1990s.”<sup>6</sup> Yet, for East Los Angeles, the analysis indicates that the high-tech sector has not significantly driven the local economy. The high-tech manufacturing industry,<sup>7</sup> combined with the high-tech services industry, accounted for only 3 percent of the area’s total employment and 4 percent of the area’s total establishments in 2002. With respect to these high-skill technical jobs, the area’s small firms face problems paying the cost of training for existing employees, and product cycles are so short that human capital is rapidly depleted without ongoing training. Furthermore, small-sized companies face enormous financial difficulties implementing new business models and updating their technology base. Establishments engaged in motion pictures and computer and data processing services experienced growth in their business base and accounted for 100 and 82 establishments, respectively, in 2002.

This analysis indicates that knowledge-based (high-tech) industries have not been an important force in East Los Angeles’ business base. Further, there is no indication that this will change in the future.

East Los Angeles’ lack of ability to attract a highly skilled workforce is also highlighted by the area’s small proportion of scientists and engineers in local research and related services. The area’s research and testing services industry employers did not gain much ground in the East Los Angeles economy. Over the past 10 years, East Los Angeles saw an increase of eight businesses in research related services. Overall, there were 17 businesses engaged in research services in East Los Angeles in 2002.

### Startup Establishments, 2002

East Los Angeles did not have a dynamic entrepreneurial force when compared to the other planning areas in Los Angeles. In 2002 a total of 52 companies were started per 100,000 people – the smallest number of startups among all seven Los Angeles city planning areas.

East Los Angeles’ business creation has been driven by companies involved in miscellaneous business services (e.g. sewing contractors and apparel designers) followed by eating places and retail stores.



**Table 39-III**  
**East Los Angeles - Top 5 Business Startups, 2002**

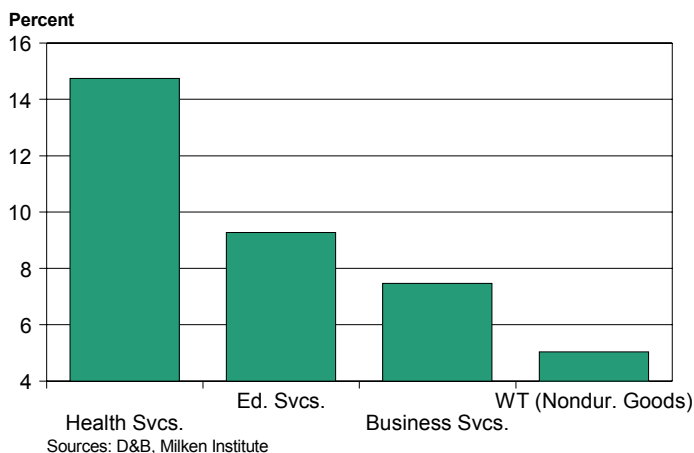
Industry	SIC	Business Count	Sales Rev. (\$Mil.)	Emp.	% Share of Total Business Startups
Misc Business Services	7389	15	2.4	71	7%
Eating Places	5812	11	0.5	17	5%
Grocery Stores	5411	6	2.5	25	3%
Miscellaneous Retail Stores	5999	6	0.5	10	3%
Management Services	8741	5	1.3	17	2%
<b>Total Business Startups</b>		<b>207</b>			

Sources: D&B, Milken Institute

### Employment Opportunities

In 2002, East Los Angeles' leading industries, defined as industries that comprised 5 percent or more of the area's total employment, were health and health care services, educational services, business services, and wholesale trade–nondurable goods.

**Figure 10-III**  
**East Los Angeles - Leading Industries**  
Share of Total Employment, 2002



Sources: D&B, Milken Institute

In 2002, colleges, universities and professional schools, such as the University of Southern California School of Medicine and Occidental College, provided significant concentrations of employment. Over 8,700 people were employed in East Los Angeles' educational establishments. General medical and surgical hospitals, including establishments licensed as general and surgical hospitals engaged in providing diagnostic and medical treatment, were the second-largest employer in East Los Angeles, due to the presence of hospitals and medical centers such as General Hospital, White Memorial Medical Center and Cedars-Sinai Medical Center. The pharmaceutical preparations industry with only four establishments was among the top 20 employers in East Los Angeles, providing higher-paying jobs to nearly 1,020 people.



**Table 40-III**  
**East Los Angeles - Top 20 Industries**  
**Ranked by Employment, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Colleges, Universities & Prof. Schools	8221	9	42	8,712
General Medical & Surgical Hospitals	8062	9	193	7,980
Miscellaneous Business Services	7389	304	169	2,789
Eating Places	5812	406	64	2,745
Freight Transportation Arrangement	4731	18	20	2,225
Building Maintenance Services	7349	25	8	2,150
Grocery Stores	5411	208	107	1,945
Psychiatric Hospitals	8063	3	14	1,683
Offices, Clinics of MDs	8011	198	107	1,405
Management Services	8741	30	68	1,316
Specialty Hospitals, except Psychiatric	8069	8	14	1,303
Courier Services, except by Air	4215	5	15	1,122
Child Day Care Services	8351	107	13	1,110
Religious Organizations	8661	233	118	1,102
Variety Stores	5331	35	769	1,088
Pharmaceutical Preparations	2834	4	2	1,019
Plating & Polishing	3471	23	60	1,016
Individual Family Services	8322	85	41	833
General Warehousing & Storage	4225	22	31	781
Bread, Cake & Related Products	2051	13	12	749

Sources: D&B, Milken Institute

East Los Angeles' employment base, which grew 7 percent over the 1992-2002 decade, created 23,921 new jobs. Table 41 shows the top 10 industries in East Los Angeles that generated the most jobs.

More than 5,600 jobs were created within the general medical and surgical hospital industry, accounting for 24 percent of the total jobs created in East Los Angeles over 1992-2002 period. Employment in the freight transportation arrangement industry increased by over 2,130 jobs, and eating places with the fourth-largest numerical gain, added over 820 jobs. Many of these newly created jobs in the services sector, such as cleaning/maintenance of buildings and grounds, or food preparation in hospitals, do not require highly educated workers.



**Table 41-III**  
**East Los Angeles - Top 10 Industries**  
**Ranked by Job Creation, 1992-2002**

Industry	SIC	Emp.		Job Creation 1992-2002	% Emp. Growth	% Share of Total Job Creation
		1992	2002			
General Medical & Surgical Hospital	8062	2,350	7,980	5,630	240	24
Freight Transportation Arrangement	4731	91	2,225	2,134	2,345	9
Specialty Hospital, except Psychiatric	8069	27	1,303	1,276	4,726	5
Eating Places	5812	1,922	2,745	823	43	3
Miscellaneous Business Services	7389	2,210	2,789	579	26	2
Transportation Services	4789	14	585	571	4,079	2
Detective & Armored Car Services	7381	128	595	467	365	2
Individual Family Services	8322	404	833	429	106	2
Child Day Care Services	8351	689	1,110	421	61	2
Railroads, Line-Haul Operating	4011	0	350	350	N/A	1
<b>Total Job Creation</b>				<b>23,921</b>		

Sources: D&B, Milken Institute

In terms of job losses, catalog and mail order houses posted the largest loss of jobs with nearly 1,800 jobs being eliminated from 1992 to 2002. The wage structure of the top five industries measured by job loss reveals that the decline in jobs primarily occurred in low-to moderate paying occupations.

**Table 42-III**  
**East Los Angeles - Top 10 Industries**  
**Ranked by Job Loss, 1992-2002**

Industry	SIC	Emp.		Job Loss 1992-2002	% Emp. Growth	% Share of Total Job Loss
		1992	2002			
Catalog & Mail Order Houses	5961	1,804	18	-1,786	-99	17
Commercial Printing, Lithographic	2752	1,404	712	-692	-49	6
Psychiatric Hospitals	8063	1,983	1,683	-300	-15	3
Retail Bakeries	5461	650	367	-283	-44	3
Women's, Juniors' & Misses' Dresses	2335	381	116	-265	-70	2
Stationary & Offices Supplies	5112	327	83	-244	-75	2
Manufacturing Industries	3999	318	91	-227	-71	2
Women's & Misses' Blouses & Shirts	2331	405	196	-209	-52	2
Roofing, Siding & Sheet Metal Work	1761	428	237	-191	-45	2
Motor Vehicle Parts & Accessories	3714	341	158	-183	-54	2
<b>Total Job Loss</b>				<b>-10,786</b>		

Sources: D&B, Milken Institute

## Industries by Sales Revenues

East Los Angeles' top 20 industries, ranked by aggregate sales revenues in 2002, are listed in Table 43. In 1992 as well as in 2002, variety stores ranked first when measured by aggregate sales revenues. However, in 2002, variety stores generated \$22 million in average sales revenues per business, in contrast to \$42 million in average sales revenues per business in 1992. Manufacturing establishments of plastic products with \$3 billion in sales were the third-largest source of revenues in East Los Angeles in 2002. The commercial printing and lithographic industry, which ranked second in 1992, dropped down to seventh in 2002.



Overall, average sales revenues per business in East Los Angeles fell from \$1.38 million in 1992 to \$1.17 million in 2002.

**Table 43-III**  
**East Los Angeles - Top 20 Industries**  
**Ranked by Total Sales Revenues, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Variety Stores	5331	35	769	1,088
Asphalt Paving Mixtures & Blocks	2951	1	609	150
Plastic Products	3089	7	315	386
Beer & Ale	5181	6	240	519
Bottled & Canned Soft Drinks	2086	1	197	250
General Medical & Surgical Hospitals	8062	9	193	7,980
Commercial Printing, Lithographic	2752	32	192	712
Poultry & Poultry Products	5144	3	177	137
Biological Products, Except Diagnostic	2836	1	172	550
Miscellaneous Business Services	7389	304	169	2,789
Women's and Children's Clothing	5137	31	166	544
Fresh Fruits & Vegetables	5148	16	131	403
Nondurable Goods Miscellaneous	5199	71	121	634
Farm-Product Raw Materials	5159	2	119	28
Religious Organizations	8661	233	118	1,102
Offices, Clinics of MDs	8011	198	107	1,405
Grocery Stores	5411	208	107	1,945
Social Services Miscellaneous	8399	18	104	291
Metal Doors, Sash & Trim	3442	6	94	365
Dairy Prod, Except Dried or Canned	5143	6	93	222

Sources: D&B, Milken Institute

### Business Establishments by Ownership and Employment Class Size, 2002

Small-sized companies are a key characteristic of East Los Angeles' business structure. In 2002, 82.3 percent of East Los Angeles' employment came from small-sized companies or companies with fewer than 10 employees. Overall, 7,476 businesses in East Los Angeles employed nearly 88,000 people and generated over \$4.5 billion in sales revenues in 2002. Of these establishments, 16 percent were minority-owned and they employed 8 percent of East Los Angeles' workers, generating almost \$650 million in sales revenues. Businesses owned by women represented 15 percent of all the establishments that were based in East Los Angeles.

**Table 44-III**  
**East Los Angeles - Establishments by Ownership**  
**(EmpHere = EmpTotal), 2002**

	<b>Business Count</b>	<b>Emp.</b>	<b>Sales Rev. (\$Mil.)</b>	<b>% of Total Establ.</b>
Total	7,476	88,045	4,534	100
Minority-Owned	1,185	6,717	648	16
Women-Owned	1,099	5,414	443	15

Sources: D&B, Milken Institute



Table 45 shows that more than 89 percent of the women-owned establishments and almost 87 percent of the minority-owned businesses were small businesses whose employment class size was 1 to 9 employees.

**Table 45-III**  
**East Los Angeles - Establishments by Employment Class Size**  
**(EmpHere = EmpTotal), 2002**

	Emp. = 100		Emp. 10 to 99		Emp. 1 to 9	
	Business Count	% of Total	Business Count	% of Total	Business Count	% of Total
Total	98	1.31	1,223	16.4	6,155	82.3
Minority-Owned	3	0.25	155	13.1	1,027	86.7
Women-Owned	4	0.36	114	10.4	981	89.3

Sources: D&B, Milken Institute

## Concluding Points

East Los Angeles is a densely populated residential area. This is reflected in the area's business landscape, which has a high concentration of businesses in services and retail trade. In 2002, with less than 2,000 businesses per 100,000 people, East Los Angeles had the lowest business density among the city's seven planning areas. In the context of greater Los Angeles, no particular industry stands out as being emblematic of this area.

East Los Angeles' manufacturing industry suffered business and employment declines over the 1992-2002 period due to continued competition from lower-cost imports and the decentralization of manufacturing production. Hardest hit was the apparel and other finished products industry, which accounted for 70 percent of all manufacturing job losses. Nevertheless, the manufacturing industry, the third-largest business base in East Los Angeles, provided 22,254 higher-paying, quality jobs to the area's workforce.

Although, median annual incomes are low, East Los Angeles residents have strong buying power due to the area's high population concentration, as well as income earned in the underground economy. In recognition of this purchasing power, the finance, insurance and real estate industry has grown its base in the area by opening full-service brokerage firms that cater to the ethnic population, providing down-payment assistance and specially targeted lending programs.

Small-sized businesses are critical to the health of the East Los Angeles' economy, where eight out of 10 establishments are small-sized businesses. These companies account for the largest share of employment in the services and retail trade sectors. As job providers to the unskilled local work force, these businesses fail to put East Los Angeles' economy in the global context as they do not attract high-skill, knowledge base industries. Therefore, the economic growth and success of East Los Angeles are directly related to the economic growth of its neighboring areas.



## City of Los Angeles: Establishment Trends by Planning Areas

### South Los Angeles

#### Overview of the South Los Angeles Planning Area

The business landscape of South Los Angeles' economy has changed considerably over the 1992-2002 decade. The manufacturing industry that formed the foundation of the area's economy has experienced employment and business declines under continued pressure from lower-cost imports. A number of large manufacturing businesses have fled South Los Angeles and many smaller ones have followed suit. As a consequence, South Los Angeles' economy has lost not only well-paying manufacturing jobs, but also jobs in related sectors such as trucking and warehousing.

On the other side of the spectrum, prompted by changing demographic patterns, the number of businesses in services such as beauty shops, eating places, individual family services and retail stores has increased. Unlike the manufacturing sector, however, the majority of these businesses serve South Los Angeles' local demand, thus limiting their economic impact.

The demographic landscape of South Los Angeles, as mentioned, also experienced significant shifts. Despite the outmigration of its middle class African American population, South Los Angeles' population has continued to grow primarily due to the inflow of Latin American immigrants, thus reshaping the area's ethnic character. Limited education and English-language skills among this growing Latino population have kept many away from high-paying jobs, thus inducing them to branch out and open their own businesses that cater to South Los Angeles' ethnic community.

South Los Angeles faces problems in attracting local human and financial capital because of its negative perception among investors, developers and the general public. Downbeat portrayals of South Los Angeles' general climate hinder further growth in the area, particularly in the high-tech and knowledge-based industries.

#### Profile of the South Los Angeles Planning Area

South Los Angeles is comprised of communities with unique characteristics and attributes. It includes South Central Los Angeles, Southeast Los Angeles, and West Adams-Baldwin Hills-Leimert. Located near the ports of Los Angeles and Long Beach, South Los Angeles encompasses Baldwin Hills, West Adams, Central Avenue, Crenshaw, Vermont Knolls and Watts communities.

The ethnic makeup of South Los Angeles has profoundly changed over the years, shifting from a predominantly middle-class African American community into a rapidly growing lower-income Hispanic population. Between 1990 and 2000, the percentage of Hispanics in the area rose from 46 percent to 57 percent of the total population. In contrast, the percentage of African Americans shrunk from 48 percent to 37 percent. In 2000, South Los Angeles had a population of 687,984 people, 3 percent growth since 1990. Median annual household income in 2002 was \$23,478<sup>1</sup> – the lowest among the seven planning areas.



South Los Angeles' population has been growing younger. Over the 1992-2002 decade, the population under 50 years of age grew from 74 percent to 82 percent as a share of the area's total population.

Several universities and institutions of higher education are located in the area. The list includes the University of Southern California, Pacific States University, Mount St. Mary's College, Hebrew Union College – Jewish Institute of Religion, Charles R. Drew University of Medicine and Science, Los Angeles Southwest College and Los Angeles Trade Technical College.

Despite the area's educational assets, only 19 percent of the area's population over 24 obtained a high school diploma, while only 6 percent earned a BA/BS degree. Nine percent had no schooling of any kind according to Census 2000 data. An alarming number the area's residents over 24 years old – more than 50 percent – had less than a high school education, and none had a doctorate degree in 2000.<sup>2</sup>

South Los Angeles is home to a number of cultural centers and recreational attractions. Among them is Exposition Park, which is home to the Natural History Museum, California African American Museum, California Science Center, the Los Angeles Sports Arena and the historic Coliseum. Shrine Auditorium, located in the northeast part of South Los Angeles, is home to various awards shows.

## Industry Profile

South Los Angeles experienced an uneven recovery after the 1992 riots. Over the 1992-2002 decade, the area lost 9,304 jobs or 6 percent of its employment base. Although South Los Angeles' business base grew by 3,602 establishments, it must be noted that the growth in the number of business establishments, in particular grocery stores, restaurants and retail stores, was not all due to business expansion and economic prosperity, but rather was mainly due to the rebuilding of businesses that were devastated during the riots.

Table 46 identifies South Los Angeles' economic performance over the 1992-2002 decade. Detailed discussion of the most significant sectors follow.

**Table 46-III**

South Los Angeles - Economic Overview													
Sector	SIC	1992					2002					1992-2002	
		Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	% of Total Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	% of Total Emp.	% Growth Business	% Growth Emp.
Services	SV	3,927	2,222	55,434	39	37	5,818	2,207	49,881	43	35	48	-10
Retail Trade	RT	2,181	1,722	15,357	22	10	3,077	1,953	19,297	23	14	41	26
Construction	CN	473	465	3,383	5	2	593	416	3,176	4	2	25	-6
Finance, Insurance & Real Estate	FI	410	1,532	3,123	4	2	702	1,397	3,975	5	3	71	27
Transp, Commun & Public Utilities	TU	342	346	6,900	3	5	505	316	5,778	4	4	48	-16
Wholesale Trade	WT	1,205	5,306	18,035	12	12	1,456	4,892	18,130	11	13	21	1
Mining	ML	1	0	15	0	0	4	1	45	0	0	300	200
Agriculture, Forestry & Fishing	AF	40	42	282	0	0	72	47	369	1	0	80	31
Manufacturing	MF	1,484	5,651	47,758	15	32	1,438	5,806	40,332	11	29	-3	-16
<b>Total</b>		<b>10,063</b>	<b>17,286</b>	<b>150,287</b>	<b>100</b>	<b>100</b>	<b>13,665</b>	<b>17,034</b>	<b>140,983</b>	<b>100</b>	<b>100</b>	<b>36</b>	<b>-6</b>

Sources: D&B, Milken Institute





## Services

Services dominated South Los Angeles' economy accounting for the largest share of the area's employment and businesses. In 2002, services accounted for 35 percent of total employment (49,881 jobs) and 43 percent of the area's total businesses (5,818 businesses). However, when compared to the rest of Los Angeles city, per capita share of service establishments was one of the lowest in South Los Angeles, an indication that South Los Angeles is underserved.

- Within the services sector, the largest employment concentration was in health and health care services, followed by business services. Social services in third place, followed by membership organizations, together accounted for 21 percent of the area's services employment and 27 percent of businesses.
- Membership organizations had the largest increase when measured by business count. A substantial number of these faith-based organizations work with labor unions and similar labor organizations for the improvement of wages and working conditions, and in civic, social and fraternal associations. Watts Century Latino Organization, Watts Labor Community Action Committee, and First African Methodist Episcopal Church are some of the organizations involved in the development and improvement of the South Los Angeles community.
- In an effort to develop the area's tourism industry, based on its history as a jazz center, establishments in amusement and recreation services experienced a 183 percent gain.
- Most private recycling centers are located where the need for additional income is greatest. Forty recycling centers – far more than in West Los Angeles, South Valley and Central Los Angeles – are located in South Los Angeles where residents are very active in collecting and redeeming recycled materials. In low-income South Los Angeles, where the working poor made up 37 percent of total residents in 2002,<sup>3</sup> people are more apt to turn in recyclables for money than in high-income areas where people are more concerned with convenience.

## Retail Trade

Despite the presence of a growing retail trade sector, most South Los Angeles residents shopped outside the area, due to the inadequate number of stores that cater to the growing demands of a diverse ethnic population. Much of the area's retail sales today are generated by Wal-Mart, which opened in 2002 in the Baldwin Hills Crenshaw Plaza. The Chesterfield Square shopping center is another major force in the area's retail trade sector.

Eating and drinking places, the largest employment industry within retail trade, experienced strong employment gains, adding nearly 1,700 jobs. Farmer Boys Restaurants, Mdr Restaurants Inc. and Somerset Caterers Inc., among many other restaurants helped to underpin substantial growth in the area's local eating and drinking industry base. Together with food stores, the area's food-related retail employment totaled over 9,000 employees and over 1,000 businesses in 2002.



### Finance, Insurance and Real Estate

The finance, insurance and real estate sector grew by 71 percent in terms of businesses, adding 292 new establishments over the 1992-2002 decade. In employment terms, South Los Angeles' finance, insurance and real estate sector added approximately 850 new jobs, creating a 27 percent upswing in its employment base from 1992. As a result of low interest rates and specific lending programs targeted towards Hispanics, the area experienced an increase in first-time homebuyers.

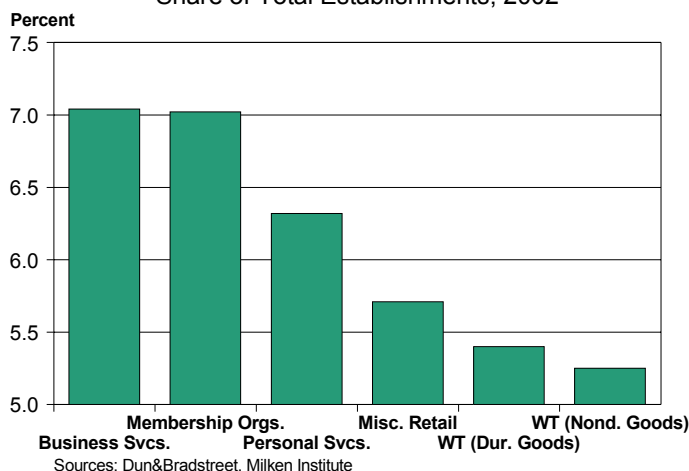
### Manufacturing

South Los Angeles' economy has been aggravated by sharp declines in the area's traditional manufacturing industry with more than 7,000 jobs eliminated during the past decade. Once the second-largest manufacturing business base in Los Angeles city, constituting 20 percent of the city's total manufacturing businesses, South Los Angeles manufacturing establishments provided almost one-third of the area's total employment and was a significant source of exports. Many of the area's small manufacturers interacted globally and conducted cross-cultural trade. Apparel and other finished products, the largest manufacturing industry both in terms of employment and business count in 2002, experienced a decline in its establishments as well as employment, mostly as a response to increased foreign competition.

### Distribution of the South Los Angeles Business Establishments

In 2002, the leading industries within South Los Angeles were business services, membership organizations, personal services, miscellaneous retail and wholesale trade of durable goods, and wholesale trade of nondurable goods. These industries had a 5 percent or greater share of South Los Angeles' total businesses.

**Figure 11-III**  
**South Los Angeles - Leading Industries**  
Share of Total Establishments, 2002



The number of religious organizations in South Los Angeles in 2002 was almost double that of a decade earlier. Religion has traditionally played a significant role in daily activities among ethnic groups and immigrants, in particular those from Latin America. The growth in the number of Hispanics who oftentimes experienced lack of access to public benefits led to the increase in faith-oriented organizations that provide housing, nutrition, counseling and other public services.



Miscellaneous business services, beauty shops, eating places, and child day care services showed robust business growth largely due to the high demand for domestic services by the area's young population. Most of these businesses, however, did not contribute to the local economy in terms of higher sales revenues and did not have substantial ripple effects through other regional economic sectors. In other words, they did not generate considerable numbers of new jobs, additional sizeable wages or sales revenues in other industries. Although, they did not contribute to the area's economy either in terms of higher sales revenues or ripple effects into other sectors, these businesses were very important to the local economy and the Hispanic-dominated population in terms of social benefits and community building, as many people were locked out of the high-wage and high-skill job market due to limited English proficiency.

Business structure and employment class size changed in the area with the change in its demographic makeup. Over the 1992-2002 period, the mean employment size in miscellaneous business services declined by more than 50 percent. For instance, as the percentage of African Americans (who were mainly employed by government and manufacturing entities that require English-language skills) decreased and the number of Hispanics increased, there was an increase in the number of small-sized businesses that cater to the area's ethnic community and do not require professional skill.

Among the top 10 industries that decreased substantially in business count over the 1992-2002 period are higher-paying establishments within the area's manufacturing sector. These include businesses engaged in the manufacturing of women's and misses' outerwear, and meats and meat products. As business growth decreased, many high-wage and quality jobs declined, largely due to offshoring. This development is a threat to the area's economy since these declining industries also rank high in sales revenues and generate wealth for the local economy.

Table 47-III

South Los Angeles - Top 10 Growing & Declining Industries Ranked by Change in Business Count, 1992-2002											
Industry	SIC	1992			2002			Change in Business Count	1992-2002 % Growth		
		Business Count	Sales Rev. (\$Mil.)	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.		Business Count	Sales Rev.	Emp.
Religious Organizations	8661	484	82	2,071	832	127	3,222	348	72	55	56
Miscellaneous Business Services	7389	269	279	5,859	484	263	4,648	215	80	-6	-21
Beauty Shops	7231	202	12	534	394	19	984	192	95	64	84
Eating Places	5812	410	101	3,182	558	107	4,912	148	36	6	54
Real Estate Agents & Managers	6531	126	45	754	256	74	1,136	130	103	66	51
Individual Family Services	8322	59	88	1,092	181	114	2,180	122	207	29	100
Miscellaneous Retail Stores	5999	83	51	481	199	80	869	116	140	56	81
Child Day Care Services	8351	209	22	1,695	322	32	1,982	113	54	44	17
Management Consulting Services	8742	48	47	518	107	50	526	59	123	7	2
Miscellaneous Business Consulting	8748	26	6	91	82	21	514	56	215	278	465
Women's & Misses' Outerwear	2339	112	642	4,888	77	538	2,939	-35	-31	-16	-40
Gasoline Service Stations	5541	90	62	453	65	42	334	-25	-28	-33	-26
Liquor Stores	5921	152	63	656	127	47	489	-25	-16	-25	-25
Commercial Printing, Lithographic	2752	50	53	531	34	36	318	-16	-32	-32	-40
Meats & Meat Products	5147	42	705	1,430	28	570	859	-14	-33	-19	-40
Local Trucking W/O Storage	4214	28	24	991	15	11	196	-13	-46	-55	-80
Home Furnishings	5023	59	95	432	46	66	532	-13	-22	-30	23
Plastering, Drywall, Insulation	1742	19	9	152	8	3	39	-11	-58	-71	-74
General Warehousing & Storage	4225	44	8	780	33	4	371	-11	-25	-53	-52
Garment Pressing & Cleaners Agents	7212	33	3	96	23	14	148	-10	-30	373	54

Sources: D&amp;B, Milken Institute

South Los Angeles' high-tech industries comprised only a small share of the overall economy. Loss of defense-related manufacturing in the early 1990s hindered the district's technology-based industry development. The area faces problems attracting local human capital with the skill sets needed to expand its knowledge-based, high-tech sector. Moreover, location factors such as land and office space availability and zoning, coupled with the downbeat perception of the area's general climate, hinder growth.



Over the past 10 years, South Los Angeles' high-tech manufacturing industries declined 8 percent, and reduced employment by 33 percent. On a positive note, the area expanded its telecomm services industry, increasing the number of businesses in this industry from seven in 1992 to 32 in 2002. This industry offers significant opportunities in the domestic and overseas markets. In the area's knowledge-based services, the greatest employment growth occurred in motion pictures, followed by engineering and architectural services. Computer and data processing services had the largest gain in terms of businesses, almost tripling in number since 1992.

The small number of South Los Angeles' research-based companies suggests that the area is not well-positioned to attract knowledge-based industry and lacks educated workers, despite the presence of numerous institutions of higher learning. A major hindrance to growth in high-tech, research-oriented industries in South Los Angeles is the area's negative image, high crime rate and divergence between the skills of the local population and the skills required by high-tech industries. The few high-tech companies already located in the area try to keep a low profile to prevent high-tech electronics theft and related crime.

### Startup Establishments, 2002

In 2002, 69 new businesses per 100,000 people were started in South Los Angeles. Next to East Los Angeles, South Los Angeles had the lowest number of business startups in 2002. Small-business entrepreneurship emerged as an economic force in miscellaneous business services, followed by eating places and child day care services – all growing industries in underserved South Los Angeles. Access to capital, as well as social and cultural barriers, stalled further growth among the area's startups.

**Table 48-III**  
**South Los Angeles - Top 5 Business Startups, 2002**

Industry	SIC	Business Count	Sales Rev. (\$Mil. )	Emp.	% Share of Total Business Startups
Miscellaneous Business Services	7389	34	5.99	90	7%
Eating Places	5812	14	4.71	31	3%
Child Day Care Services	8351	13	1.39	36	3%
Management Consulting Services	8742	12	3.38	42	3%
Local Trucking W/O Storage	4212	11	0.71	15	2%
<b>Total Business Startups</b>		<b>478</b>			

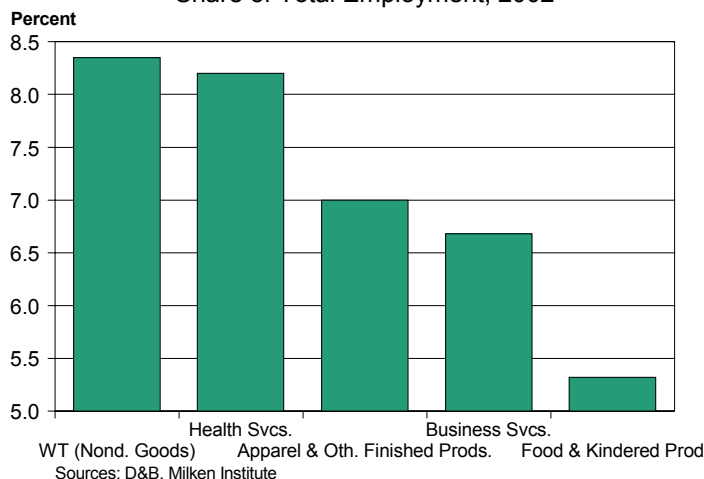
Sources: D&B, Milken Institute

### Employment Opportunities

Over the 1992-2002 period, South Los Angeles experienced significant employment declines. Hard hit were the manufacturing and services sectors, losing 7,426 and 5,553 jobs, respectively. Despite employment declines in the services sector, health and health care services and business services remained among South Los Angeles' leading employers. Wholesale trade—nondurable goods, apparel and other finished products, and food and kindred products were also among South Los Angeles' leading industries comprising 5 or more percent of the area's 2002 employment.



**Figure 12-III**  
**South Los Angeles - Leading Industries**  
 Share of Total Employment, 2002



The top 20 industries in South Los Angeles ranked by 2002 employment are shown in Table 49. Many of these industries produce goods and services for domestic consumption and do not generate high sales revenues, thus they do not contribute considerably to the economic wealth of the local economy.

**Table 49-III**  
**South Los Angeles - Top 20 Industries**  
 Ranked by Employment, 2002

Industry	SIC	Business Count	Sales Rev. (\$Mil.)	Emp.
General Medical & Surgical Hospital	8062	7	26	6,356
Eating Places	5812	558	107	4,912
Miscellaneous Business Services	7389	484	263	4,648
Grocery Stores	5411	308	323	3,391
Religious Organizations	8661	832	127	3,222
Women's & Misses' Outerwear	2339	77	538	2,939
Sports Clubs, Managers & Promoters	7941	6	11	2,560
Individual Family Services	8322	181	114	2,180
Colleges, Universities & Prof. Schools	8221	23	86	2,123
Child Day Care Services	8351	322	32	1,982
Meat Packing Plants	2011	8	621	1,967
Offices, Clinics of MDs	8011	171	102	1,733
Bread, Cake & Related Products	2051	19	60	1,559
Piece Goods & Notions	5131	97	569	1,526
Miscellaneous Nondurable Goods	5199	182	294	1,481
Women's Clothing Stores	5621	91	467	1,396
Wood Household Furniture	2511	42	91	1,290
Men's & Boy's Trousers & Slacks	2325	5	12	1,268
Finishing Plants, Cotton	2261	13	137	1,236
Real Estate Agents & Managers	6531	256	74	1,136

Sources: D&B, Milken Institute



Table 50 summarizes the industries that created jobs in the area over the 1992-2002 period. An increasing portion of the area's new jobs came from low-wage eating places, religious organizations, and individual and family services. Eating places generated 1,730 jobs, followed by religious organizations that contributed over 1,150 new jobs. The South Los Angeles labor market was fueled primarily by low- to moderate-wage services and retail jobs with limited or no job security.

**Table 50-III**  
**South Los Angeles - Top 10 Industries**  
**Ranked by Job Creation, 1992-2002**

Industry	SIC	Emp.		Job Creation 1992-2002	% Emp. Growth	% Share of Total Job Creation
		1992	2002			
Eating Places	5812	3,182	4,912	1,730	54	6
Religious Organizations	8661	2,071	3,222	1,151	56	4
Individual Family Services	8322	1,092	2,180	1,088	100	4
Detective & Armored Car Services	7381	182	944	762	419	3
General Medical & Surgical Hospitals	8062	5,800	6,356	556	10	2
Offices, Clinics of MDs	8011	1,253	1,733	480	38	2
Soap & Other Detergents	2841	40	512	472	1,180	2
Beauty Shops	7231	534	984	450	84	2
Women's and Children's Clothing	5137	669	1,102	433	65	2
Miscellaneous Business Consulting	8748	91	514	423	465	2
<b>Total Job Creation</b>				<b>26,709</b>		

Sources: D&B, Milken Institute

With substantial job losses, South Los Angeles' labor market weakened considerably between 1992 and 2002. Table 51 displays the 10 industries that lost the largest number of jobs. Much of South Los Angeles' employment declined in manufacturing industries such as women's and misses' outerwear, men's and boy's clothing, and pharmaceutical preparations, an industry that pays higher-wages.

**Table 51-III**  
**South Los Angeles - Top 10 Industries**  
**Ranked by Job Loss, 1992-2002**

Industry	SIC	Emp.		Job Loss 1992-2002	% Emp. Growth	% Share of Total Job Loss
		1992	2002			
Women's & Misses' Outerwear	2339	4,888	2,939	-1,949	-40	8
Miscellaneous Business Services	7389	5,859	4,648	-1,211	-21	5
Department Stores	5311	1,485	353	-1,132	-76	5
Local & Suburban Transit	4111	1,000	17	-983	-98	4
Local Trucking With Storage	4214	991	196	-795	-80	3
Employment Agencies	7361	779	111	-668	-86	3
Men's & Boy's Clothing	2329	1,043	391	-652	-63	3
Meats & Meat Products	5147	1,430	859	-571	-40	2
Pharmaceutical Preparations	2834	587	86	-501	-85	2
Metal Household Furniture	2514	1,076	603	-473	-44	2
<b>Total</b>				<b>-23,140</b>		

Sources: D&B, Milken Institute



## Industries by Sales Revenues

Table 52 shows South Los Angeles' top 20 industries ranked by aggregate sales revenues in 2002. Since 1992, there has been a 24 percent decline in sales revenues in the meats and meat products industry and a 19 percent decline in the women's and misses' outerwear industry. Insurance agents, brokers and services, at the top of the list of industries with high sales revenues, maintained a steady, almost constant, volume of total sales revenues. However, establishments in this industry comprised only a small fraction of the area's total establishments. Moreover, the average sales revenues per business in the insurance agents, brokers and services industry went down from \$21 million in 1992 to \$15 million in average sales revenues per business in 2002. With respect to the area's apparel manufacturing industry, average sales revenues per business within women's clothing stores went down from \$6 million in 1992 to \$5 million in 2002.

Most aggregate sales revenues among the listed industries showed no significant increase or decrease when compared to those in 1992.

**Table 52-III**  
**South Los Angeles - Top 20 Industries**  
**Ranked by Total Sales Revenues, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil. )</b>	<b>Emp.</b>
Insurance Agents, Brokers & Services	6411	71	1,124	454
Meat Packing Plants	2011	8	621	1,967
Meats & Meat Products	5147	28	570	859
Piece Goods & Notions	5131	97	569	1,526
Women's & Misses' Outerwear	2339	77	538	2,939
Womens Clothing Stores	5621	91	467	1,396
Cookies, Crackers	2052	3	353	255
Grocery Stores	5411	308	323	3,391
Men's & Boy's Clothing	5136	55	303	1,026
Miscellaneous Nondurable Goods	5199	182	294	1,481
Women's and Children's Clothing	5137	90	293	1,102
Groceries, General Line	5141	41	279	1,007
Miscellaneous Business Services	7389	484	263	4,648
Women's & Misses' Blouses & Shirts	2331	20	254	677
Women's & Misses' Suits & Coats	2337	9	234	253
Men's & Boy's Work Clothing	2326	10	199	108
Hardware	5072	14	197	343
Packaged Frozen Goods	5142	8	197	680
Toys & Hobby Goods & Supplies	5092	27	196	341
New/Used Car Dealers	5511	21	192	479

Sources: D&B, Milken Institute

## Business Establishments by Ownership and Employment Class Size, 2002

South Los Angeles was dominated by small-sized companies, which represented 81.4 percent of all businesses in 2002. The area's 10,500 small-sized companies employed approximately 28,500 workers or 23 percent of its total workforce. In contrast, 165 large companies, those that employed 100 or more people, accounted for more than 38,000 or 31 percent of the South Los Angeles workforce.



**Table 53-III**  
**South Los Angeles - Establishments by Ownership**  
**(EmpHere = EmpTotal), 2002**

	<b>Business Count</b>	<b>Emp.</b>	<b>Sales Rev. (\$Mil. )</b>	<b>% of Total Establ.</b>
Total	12,845	121,959	10,184	100
Minority-Owned	1,981	14,746	1,340	15
Women-Owned	1,886	10,326	960	15

Sources: D&B, Milken Institute

Many minority-owned companies and women-owned companies were small-sized companies with less than 10 employees. Minorities represented a high percentage of South Los Angeles' population, yet this population owned only 15 percent of the area's businesses. Developing strategies to take advantage of the strengths of South Los Angeles' minority communities could help translate these strengths into economic power.

**Table 54-III**  
**South Los Angeles - Establishments by Employment Class Size**  
**(EmpHere = EmpTotal), 2002**

	<b>Emp. = 100</b>		<b>Emp. 10 to 99</b>		<b>Emp. 1 to 9</b>		<b>Total # of Establ.</b>
	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	
Total	165	1.3	2,225	17.3	10,453	81.4	12,843
Minority-Owned	10	0.1	308	2.4	1,663	12.9	1,981
Women-Owned	8	0.1	215	2.0	1,663	13.0	1,886

Sources: D&B, Milken Institute





## Concluding Points

Many of South Los Angeles' manufacturing jobs were lost during the 1992-2002 decade. Employment losses were especially pronounced in the apparel and other finished products industry, which lost over 3,600 jobs, nearly 50 percent of the entire decline in the manufacturing sector. Decentralization of apparel production and its offshoring to Mexico and other low-cost areas contributed to the employment and business declines among South Los Angeles' second-largest employment sector. Apart from this, many businesses moved out of the area as they sought to expand and were confronted by the scarcity of big lots of developable land.

The loss of these well-paying manufacturing jobs is particularly troubling to South Los Angeles' low-income workforce. Moreover, the declining manufacturing base, which tends to have greater ripple effects in the economy, weakened other sectors as well. An example of this phenomenon is the decline of trucking and warehousing jobs closely related to manufacturing.

Propelled by a growing population and demographic changes, the business base in the services and retail trade sectors expanded by 48 and 41 percent, respectively. Services emerged as South Los Angeles' largest discrete industry, both in terms of employment and businesses. Retail trade contributed the largest number of new jobs.

South Los Angeles' population has an immense, albeit unmet, demand for goods and services. Magic Johnson Theaters, which opened in June 1995 at the Baldwin Hills-Crenshaw Plaza Mall, have been a great success in tapping into the populations' demand for services and retail consumption. The success of such new retail developments and the recently opened Wal-Mart store should help entrepreneurs realize that the mainly residential, underserved South Los Angeles possesses significant economic verve. Even though it is mostly low-income, the area has a highly dense population with strong buying clout.

Construction was not a big part of South Los Angeles's economy. Mainly a residential area with low to median annual incomes, South Los Angeles did not exhibit strong residential construction activity. Commercial construction was not vibrant for a variety of reasons. Many plans to develop the area have failed due to the difficulty of redeveloping existing vacant, small and incongruent land, as well as due to conflicts between the developers and city officials over the amount of public assistance to be provided. The perception among developers and investors that a low-income population will not be able to support significant new retail development has stalled financing, therefore restricting construction.





## City of Los Angeles: Establishment Trends by Planning Areas

### Harbor

#### Overview of the Harbor Planning Area

Over the 1992-2002 decade, the Harbor area has been the fastest growing area in Los Angeles. However, the Harbor area's economy is not competitive and strong in relatively "new" industries. As of 2002, it continues as a stronghold of the "old" economy, with its main sources of establishments and employment coming from services, retail trade, manufacturing and wholesale trade. Consistent with this finding, the Harbor area does not have a widespread culture of innovation and cannot build on entrepreneurial dynamism.

A college education is not especially important for many jobs in the Harbor area – a negative factor for businesses that look to locate or expand in the region. The Harbor area's economic growth is driven mainly by businesses that offer positions that do not require higher levels of education or advanced English-language skills and typically pay less than other occupations. A large number of the area's business base shifted from the industrial machinery industry into that of low-wage services. These establishments are primarily focused on its domestic market and do not yield higher sales revenues. In consequence, the Harbor area now struggles with economic and social problems.

To place the Harbor area's manufacturing sector in context, in 2002, over 1,200 manufacturing companies made up 12 percent of the area's total establishments and generated more than 27,000 jobs or 23 percent of its total employment. In the aerospace/high-tech industry realm, aircraft parts and equipment was an important component of the Harbor area's employment base in 1992. At that time, it drew aircraft companies as well as their employees to the area. By the late 1990s, many of these firms either closed down or left the area. The acquisition of McDonnell Douglas by Boeing in 1997 and the shutdown of the local plants left the Harbor area with acres of abandoned industrial land.

Slow population growth, its collection of warehouses and office buildings, and a growing gang problem has inhibited traditional home development in the area. A recent positive sign on the site of a former Boeing plant is a plan by homebuilders to build homes adjacent to the few existing residential neighborhoods. Moreover, new loading and unloading facilities, along with terminals and other improvements at the Port of Los Angeles translated into job creation within the Harbor area's construction sector.

The industrial mix of the Harbor area's export-driven industries suggests that the Port of Los Angeles did not bring substantial benefits in the way of attracting new businesses such as logistic, transportation companies and various manufacturers. This is also reflected in the Harbor area's shortage of banks with strong international capabilities to support international transactions. In addition, globalization allowed the area's domestic companies to move manufacturing facilities overseas because of cheaper production costs, meanwhile creating low-wage services jobs to replace these jobs. On the positive side, the Alameda Corridor is located on the doorstep of the Pacific Rim and is expected to improve the area's growth in international trade.



## Profile of the Harbor Planning Area

The Harbor area is 27 square miles,<sup>1</sup> centrally located in the South Bay of Los Angeles County and home to four distinct communities: San Pedro, Wilmington-Harbor City, Port of Los Angeles and Harbor Gateway. The economic diversity of the Harbor area is influenced by the diversity of its multi-ethnic population.

According to the City of Los Angeles, in 2000, the Harbor area was home to 193,168 people, constituting a population growth of 6 percent since 1990.<sup>2</sup> The booming fishing industry of the 1940s and 1950s and the expansion of the Port of Los Angeles brought many European and Hispanic immigrants to the area. In 2000, Hispanics accounted for 56 percent of the area's population (up from 48 percent in 1990) followed by Whites at 25 percent (down from 36 percent in 1990). In 2000, 79 percent of the area's population was within the 0-49 age bracket. The massive loss of manufacturing jobs had socio-economic implications, since they included high-wage activities. As a result, the Harbor area's median annual household income as of 2000 was \$35,520.<sup>3</sup> Furthermore, the Harbor area has a large proportion of working poor and Limited English Proficiency (LEP) workers.<sup>4</sup>

Harbor's universities and institutions of higher education, include Life Christian University, University of Phoenix, University of Redlands and Los Angeles Harbor College Foundation. The area's Harbor-UCLA Medical Center and the St. John's Cardiovascular Research Center have international reputations for promoting the health and well-being of nearby communities.

In 2000, 11 percent of the Harbor area's population over 24 had a BA/BS degree and 23 percent had at least a high school diploma.<sup>5</sup> When compared to the other planning areas, both Harbor and East Los Angeles ranked second to last in the percentage of residents over 24 who earned a bachelor's degree. This indicator is of concern since educational attainment is important for sustaining the local economy with a skilled workforce.

The United States military plays a significant role in the Harbor area's economy as does the presence of the Los Angeles Air Force Base, Fort MacArthur Annex. The 96-acre development serves as a housing area for military personnel who work at the base.

The Port of Los Angeles, located in San Pedro Bay, is one of the busiest cargo terminals in the United States and a leading processing center for international trade. The Port complex occupies 7,500 acres of land and water along 43 miles of waterfront. The Harbor area also is home to three major oil refineries, various full-service shipyards, a major cruise ship terminal and the Ports O'Call Village.



## Industry Profile

Various workforce dynamics pose unique challenges to the Harbor area's economy. Job growth in the Harbor area has been modest, but businesses have grown by 37 percent over the 1992-2002 period.

**Table 55-III**

Harbor - Economic Overview													
Sector	SIC	1992					2002					1992-2002	
		Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	% of Total Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.	% of Total Estab.	% of Total Emp.	% Growth Business	% Growth Emp.
Services	SV	2,213	2,747	29,411	32	28	3,673	3,077	35,459	38	30	66	21
Retail Trade	RT	1,385	1,614	11,859	20	11	1,740	1,638	12,690	18	11	26	7
Construction	CN	443	5,053	5,259	6	5	609	778	5,237	6	4	37	0
Finance, Insurance & Real Estate	FI	413	1,626	4,459	6	4	590	3,355	4,749	6	4	43	7
Transp, Commun & Public Utilities	TU	424	1,150	8,585	6	8	631	2,138	10,257	7	9	49	19
Wholesale Trade	WT	888	11,786	15,561	13	15	1,055	16,255	22,543	11	19	19	45
Mining	ML	16	15	227	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Agriculture, Forestry & Fishing	AF	67	24	608	1	1	127	35	936	1	1	90	54
Manufacturing	MF	1,114	3,606	30,165	16	28	1,145	3,120	27,006	12	23	3	-10
<b>Total</b>		<b>6,963</b>	<b>27,621</b>	<b>106,134</b>	<b>100</b>	<b>100</b>	<b>9,570</b>	<b>30,395</b>	<b>118,877</b>	<b>100</b>	<b>100</b>	<b>37</b>	<b>12</b>

Sources: D&B, Milken Institute

## Services

Despite the legacy of a strong industrial manufacturing orientation, the Harbor area's largest sector is services, accounting for 38 percent of the area's total establishments and 30 percent of total employment in 2002. The Harbor area's services sector is diverse, with the largest number of establishments in 2002 found in business services, followed by health and health care services, and automotive repair, services and parking. Engineering, accounting, research and management services followed closely behind. Gains in the amusement and recreation services industry suggest that the Harbor area is a growing segment of the travel market and is preserving and promoting cultural resources. Nearby tourist attractions include the South Bay beaches and Disneyland.

## Wholesale Trade

Wholesale trade accounted for 11 percent of the area's total establishments and 19 percent of its total employment in 2002. Over the 1992-2002 period, the area's durable goods sector dominated its wholesale trade structure. Motor vehicle supplies and new parts, and machinery equipment and supplies posted the largest number of establishments in the durable goods wholesale trade sector. Eighty-two percent of the Harbor area's wholesale trade workforce had jobs in the durables sector, which was led by automobiles and other motor vehicles, followed by scrap and waste materials. As of 2002, the area had 37 waste management facilities. Business count in the nondurable wholesale trade sector was led by establishments primarily engaged in nondurable goods not elsewhere classified, such as the wholesale trade of tropical fish, hairbrushes, etc., followed closely by the wholesale trade of grocery and related products.

## Manufacturing

In 2002, the manufacturing sector ranked second as a share of the Harbor area's total employment and ranked third in business count. Shifts in demand, as well as growing technological capabilities and outsourcing left their mark on the Harbor area's manufacturing sector. Most critically, the area's decline in manufacturing employment over the 1992-2002 period coincided with a rise in low-wage, services-industry employment.

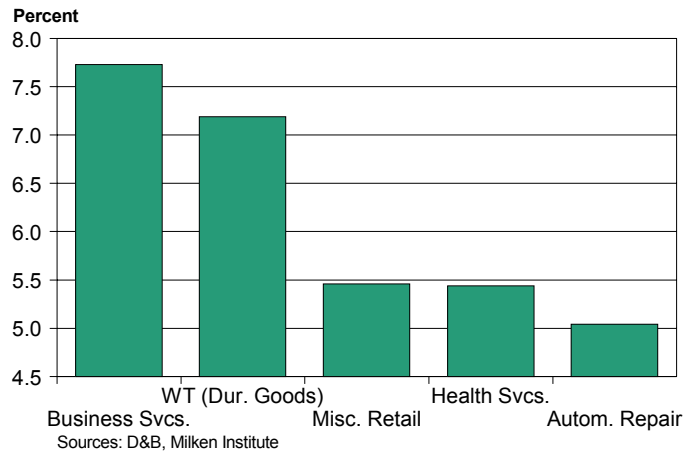


Based on business count in 2002, Harbor’s manufacturing sector produced mainly items such as industrial and commercial machinery and computer equipment, printing, publishing and allied industry products, fabricated metal products, miscellaneous manufacturing products and apparel and other finished products. While steep manufacturing business losses occurred in industrial and commercial machinery and computer equipment, this industry remains the largest manufacturing industry both in terms of establishments and employment in 2002.

### Distribution of Harbor’s Business Establishments

Those establishments that comprise 5 percent or more of the Harbor area’s total establishments were business services, wholesale trade in durable goods, miscellaneous retail, health and health care services, and automotive repair, services and parking.

**Figure 13-III**  
**Harbor - Leading Industries**  
Share of Total Establishments, 2002



Several positive factors have propelled the Harbor area’s economy. Driven by rapid economic activity, the business services sector, including companies engaged in the packaging and labeling industry, emerged at the top of its top 10 growing industry list measured by change in business count. The job trend here has been very positive; since 1992, this sector has recorded job gains with employment expanding from 717 jobs in 1992 to 2,150 in 2002. Aggregate sales revenues in this growing industry are modest.

The top 10 growing industries ranked by change in business count over the 1992-2002 period, such as business services not elsewhere classified, eating places and religious organizations are primarily focused on the Harbor area’s domestic market and do not yield higher sales revenues. However, one of the area’s growing industries – transportation of freight and cargo – constitutes a very important asset to the economy in terms of the rising level of foreign trade. The Port promotes new commercial development and draws industrial development to the area.

The biggest losses in business count occurred in industrial machinery, women’s clothing stores and commercial printing and lithographic industries, all export-oriented industries that are affected by outsourcing. A large number of the area’s business base shifted from the industrial machinery industry to that of lower-wage services.



A factor of concern to the Harbor area's business base is the area's infrastructure, coupled with its shortage of industrial space that could result in companies leaving. In this regard, the Alameda Corridor – a \$2.4 billion project – constitutes a major expansion of the area's infrastructure. The high-speed, 20-mile transportation corridor, of which construction began in April 1997, links the San Pedro Ports with key transcontinental rail yards near downtown Los Angeles.<sup>6</sup> The corridor is located on the doorstep of the Pacific Rim and is expected to improve the Harbor area's growth in international trade.

Table 56-III

**Harbor - Top 10 Growing & Declining Industries  
Ranked by Change in Business Count, 1992-2002**

Industry	SIC	1992			2002			Change in Business Count	1992-2002		
		Business Count	Sales Rev. (\$Mil.)	Emp.	Business Count	Sales Rev. (\$Mil.)	Emp.		% Growth		
									Business Count	Sales Rev.	Emp.
Miscellaneous Business Services	7389	103	50	717	268	154	2,150	165	160	206	200
Eating Places	5812	277	144	3,137	398	144	3,690	121	44	0	18
Religious Organizations	8661	87	12	538	175	16	641	88	101	29	19
Beauty Shops	7231	80	5	232	154	9	427	74	93	73	84
Management Consulting Services	8742	45	599	465	116	83	808	71	158	-86	74
Miscellaneous Business Consulting	8748	22	17	75	83	34	331	61	277	102	341
General Automotive Repair Shops	7538	148	38	535	202	43	632	54	36	14	18
Trucking Except Local	4213	16	12	289	69	52	660	53	331	320	128
Real Estate Agents & Managers	6531	89	59	635	142	86	731	53	60	45	15
Freight Transportation Arrangement	4731	79	371	1,385	130	451	1,651	51	65	21	19
Industrial Machinery	3599	161	155	1,547	134	115	1,263	-27	-17	-26	-18
Women's Clothing Stores	5621	49	7	135	33	3	85	-16	-33	-49	-37
Commercial Printing, Lithographic	2752	67	61	628	56	48	487	-11	-16	-22	-22
Special Dies, Tools, Jigs & Fixtures	3544	29	112	253	18	32	207	-11	-38	-71	-18
Lumber, Plywood & Millwork	5031	25	102	301	15	26	75	-10	-40	-74	-75
Gasoline Service Stations	5541	56	439	327	46	26	260	-10	-18	-94	-20
Jewelry Stores	5944	33	9	124	25	4	268	-8	-24	-51	116
Nonresidential Building Operators	6512	30	15	334	22	26	396	-8	-27	70	19
National Commercial Banks	6021	22	1	509	15	1	340	-7	-32	0	-33
Developers	6552	20	22	77	13	12	61	-7	-35	-45	-21

Sources: D&amp;B, Milken Institute

The analysis also examined the impact of knowledge-based, high-tech industries on the Harbor area's economy. A good measure of the extent of labor market demand for highly skilled workers is the share of workers employed in the knowledge economy. Such a highly educated workforce is more likely to generate productive innovations and gain competitive advantage. "New technology industries should be among the top growth performers as they are diffused throughout the economy."<sup>7</sup> In 1992, the Harbor area's high-tech industry accounted for 7 percent of the total local employment base and 5 percent of its total establishments. Facing increased competition in the global marketplace, by 2002, the Harbor area's high-tech sector dropped to 6 percent of the area's total employment, but remained at 5 percent of the area's total establishments.

Within Harbor's high-tech manufacturing industries, search and navigation equipment has been the fastest-growing segment in terms of employment and business growth. Over the 1992-2002 period, the computer and data processing services industry was responsible for generating most of the growth in Harbor's high-tech services.

With respect to R&D activity, only a small fraction of the Harbor area's 9,570 establishments were engaged in research and testing activities in 2002.

Harbor/UCLA Research and Education Institute considered building a research park on Los Angeles Air Force Base, Fort MacArthur Annex but withdrew its application due to high costs. Building this research park could have had a positive impact on the Harbor economy, in terms of drawing in new research establishments that provide high-wage jobs.



## Startup Establishments, 2002

An examination of the types of businesses that were started in the Harbor area in 2002 reveals that the number of establishments in eating and drinking places, miscellaneous business services, as well as those in local trucking without storage rose considerably.

Companies engaged in assistance to managements of private, nonprofit and public organizations (management consulting services) also ranked among the top five business startups in the Harbor area. This is a positive sign for the Harbor area's economy, since these establishments generally perform activities, such as strategic and organizational planning, financial planning and budgeting, or information systems planning and budgeting that rely on highly educated employees.

**Table 57-III**  
**Harbor - Top 5 Business Startups, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>	<b>% Share of Total Business Startups</b>
Eating Places	5812	9	1.27	38	4%
Miscellaneous Business Services	7389	9	1.98	28	4%
Local Trucking W/O Storage	4212	6	0.84	14	3%
Computer Related Services	7379	6	1.20	24	3%
Management Consulting Services	8742	5	0.61	7	2%
<b>Total Business Startups</b>		<b>208</b>			

Sources: D&B, Milken Institute

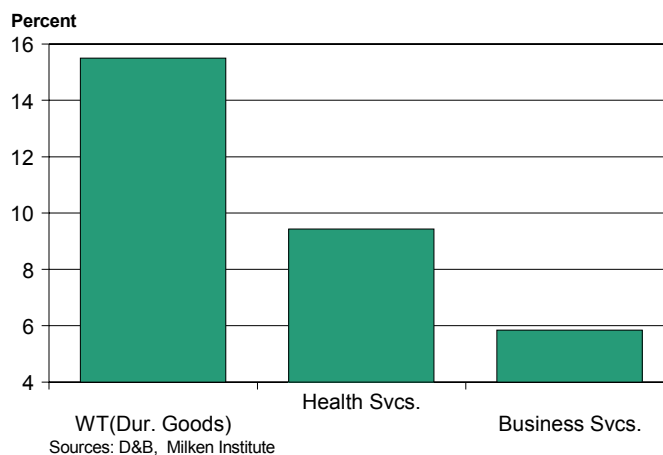




## Employment Opportunities

In 2002, the Harbor area's leading industries that comprised 5 percent or more of the area's total employment were durable goods, health and health care services, and business services. Harbor does not have a diversified economic base in terms of employment, but rather a "three-legged" economy.

**Figure 14-III**  
**Harbor - Leading Industries**  
 Share of Total Employment, 2002



Harbor's economic growth is attributable to a boom in several sectors led by automobiles and other motor vehicles in the wholesale trade sector, and general medical and surgical hospitals in health and health care services, and by eating places in the retail sector. In 2002, the combination of these industries employed 15 percent of the area's workers. Many key sectors of the so-called "second industrial revolution," such as automobiles, played a much bigger role in the Harbor area than in the rest of Los Angeles.

In 1992, as well as in 2002, many area jobs did not require high levels of educational attainment and skills. This pattern is consistent with the characteristics of the Harbor area's local establishments. In 2002, most enterprises were in retail trade and low-end services sectors. Over the 1992-2002 period, employment in its low-to-moderate wage group has generally trended upward. At the same time, increases in general medical and surgical hospitals employment, as well as in business services employment, indicated that demand for workers with at least a high school education or higher grew.



**Table 58-III**  
**Harbor - Top 20 Industries**  
**Ranked by Employment, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Automobiles & Other Motor Vehicles	5012	23	10,854	7,664
General Medical & Surgical Hospitals	8062	13	326	6,461
Eating Places	5812	398	144	3,690
Scrap Waste Materials	5093	37	82	3,322
Miscellaneous Business Services	7389	268	154	2,150
Freight Transportation Arrangement	4731	130	451	1,651
Offices, Clinics of MDs	8011	176	627	1,615
Local Passenger Transportation	4119	20	675	1,556
Grocery Stores	5411	103	244	1,459
Plumbing, Heating, Air-Cond. Contractors	1711	95	157	1,264
Industrial Machinery	3599	134	115	1,263
Motor Vehicle Parts & Accessories	3714	16	158	1,250
Furniture	5021	21	104	1,188
Insurance Agents, Brokers & Services	6411	142	163	1,148
Accounting, Auditing & Bookkeeping	8721	94	34	1,124
Building Maintenance Services	7349	54	15	968
Finishing Plants, Cotton	2261	4	52	962
Amusement & Recreation	7999	48	45	940
Aircraft Parts & Equipment	3728	16	85	913
Skilled Nursing Care Facilities	8051	11	18	912

Sources: D&B, Milken Institute

The expansion of the Port of Los Angeles still exerts a positive influence on the local economy although some related industries are no longer as prosperous as they once were. The shipbuilding industry, in particular shipbuilding and repairing, as well as boat building and repairing, did not significantly contribute to the Harbor area's economic growth over the 1992-2002 period.

Commercial shipping is the lifeblood of the San Pedro Harbor. The Port of Los Angeles makes Los Angeles one of the world's most important trade centers. Job growth goes hand-in-hand with this development. New loading and unloading facilities, along with terminals and other improvements, led to job creation in construction.

Newly created jobs over the past decade tended to be low- to moderate-wage jobs. Altogether, automobiles and other motor vehicles, scrap waste materials and eating places contributed more than 6,600 jobs, 19 percent of the area's jobs, to its economy.



**Table 59-III**  
**Harbor - Top 10 Industries**  
**Ranked by Job Creation, 1992-2002**

Industry	SIC	Emp.		Job Creation 1992-2002	% Emp. Growth	% Share of Total Job Creation
		1992	2002			
General Medical & Surgical Hospitals	8062	2,280	6,461	4,181	183	12
Automobiles & Other Motor Vehicles	5012	4,563	7,664	3,101	68	9
Scrap Waste Materials	5093	376	3,322	2,946	784	9
Miscellaneous Business Services	7389	717	2,150	1,433	200	4
Accounting, Auditing & Bookkeeping	8721	354	1,124	770	218	2
Public Building & Related Furniture	2531	25	700	675	2,700	2
Local Passenger Transportation	4119	884	1,556	672	76	2
Motor Vehicle Parts & Accessories	3714	653	1,250	597	91	2
Eating Places	5812	3,137	3,690	553	18	2
Individual Family Services	8322	181	713	532	294	2
<b>Total Job Creation</b>				<b>33,928</b>		

Sources: D&B, Milken Institute

Despite certain positive shifts in the Harbor area's overall economy, recent trends have been generally unfavorable for its manufacturing industry, especially electrical equipment and supplies, which sustained 1,064 job losses, and the canned and cured fish and seafood industry which lost 722 jobs. In the aerospace/high-tech industry, aircraft parts and equipment manufacturing was an important component of the Harbor area's employment base in 1992. Search and navigation equipment employment increased from 53 people to 389 in 2002. Yet, aircraft parts and equipment employment dropped by 459 jobs between 1992 and 2002. The major contributing factor to this dramatic decline in aerospace and defense occupations was the closing of a local Boeing facility. The vast majority of occupations lost over the past 10 years tended to be those at high wage levels.

**Table 60-III**  
**Harbor - Top 10 Industries**  
**Ranked by Job Loss, 1992-2002**

Industry	SIC	Emp.		Job Loss 1992-2002	% Emp. Growth	% Share of Total Job Loss
		1992	2002			
Electrical Equipment & Supplies	3699	1,157	93	-1,064	-92%	7
Canned & Cured Fish & Seafoods	2091	735	13	-722	-98%	4
Petroleum Refining	2911	1,222	501	-721	-59%	4
Detective & Armored Car Services	7381	1,233	518	-715	-58%	4
Aircraft Parts & Equipment	3728	1,372	913	-459	-33%	3
Plating Polishing	3471	625	210	-415	-66%	3
Refuse Systems	4953	812	452	-360	-44%	2
Plastering, Drywall & Insulation	1742	441	92	-349	-79%	2
Partitions & Fixtures, except Wood	2542	381	35	-346	-91%	2
Federal Savings Institutions	6035	509	165	-344	-68%	2
<b>Total Job Loss</b>				<b>-16,199</b>		

Sources: D&B, Milken Institute



## Industries by Sales Revenues

Aggregate sales revenues have risen over the 1992-2002 period, primarily in the automobiles and other motor vehicles sector – a low-wage-level sector. Examining average sales revenues per business count in this particular industry reveals that the ratio went down from \$632 million in 1992 to \$472 million average sales revenues per business count in 2002. Aggregate business sales revenues were also high among personal credit institutions and the electrical appliances, television and radio industries.

Personal credit institutions, including credit card servicing firms and financing of motor vehicles by dealers, saw an increase in their average sales revenues per business count from \$106 million in 1992 to \$358 million in 2002. This increase was greatly affected by low interest rates and the Harbor area's expanding automobile industry.

**Table 61-III**  
**Harbor - Top 20 Industries**  
**Ranked by Total Sales Revenues, 2002**

<b>Industry</b>	<b>SIC</b>	<b>Business Count</b>	<b>Sales Rev. (\$Mil.)</b>	<b>Emp.</b>
Automobiles & Other Motor Vehicles	5012	23	10,854	7,664
Personal Credit Institutions	6141	8	2,863	471
Electrical Appliances, TV & Radio	5064	15	1,722	589
Local Passenger Transportation	4119	20	675	1,556
New/Used Car Dealers	5511	16	660	331
Offices, Clinics of MDs	8011	176	627	1,615
Video Tape Rental	7841	26	603	353
Freight Transportation Arrangement	4731	130	451	1,651
Stationary & Office Supplies	5112	14	434	392
Metals Service Centers & Offices	5051	22	405	649
Transportation Equipment & Supplies	5088	27	346	378
General Medical & Surgical Hospitals	8062	13	326	6,461
Electrical Work	1731	81	255	543
Public Building & Related Furniture	2531	3	251	700
Grocery Stores	5411	103	244	1,459
Groceries & Related Products	5149	32	225	543
Motor Vehicle Supplies & New Parts	5013	67	211	441
Marine Cargo Handling	4491	14	210	230
Roasted Coffee	2095	3	202	185
Travel Agencies	4724	54	193	408

Sources: D&B, Milken Institute

## Business Establishments by Ownership and Employment Class Size, 2002

In 2002, 80 percent of all Harbor area businesses were small-sized establishments with less than 10 employees in 2002. Some 1,667 establishments out of the 8,965 analyzed employed 10 to 99 workers, while establishments with more than 100 employees represented only slightly more than 1 percent of the area's business base and workforce base.

**Table 62-III**

<b>Harbor - Establishments by Ownership (EmpHere = EmpTotal), 2002</b>				
	<b>Business Count</b>	<b>Emp.</b>	<b>Sales Rev. (\$Mil.)</b>	<b>% of Total Establ.</b>
Total	8,965	95,283	6,435	100
Minority-Owned	1,047	7,479	785	12
Women-Owned	1,153	6,889	764	13

Sources: D&B, Milken Institute

The 7,165 establishments with less than 10 employees employed more than 20,710 workers or 22 percent of the area's total workforce. In contrast, 133 companies with 100 or more employees employed more than 34,500 employees or 36 percent of the area's total workforce in 2002.

**Table 63-III**

<b>Harbor - Establishments by Employment Class Size (EmpHere = EmpTotal), 2002</b>						
	<b>Emp. = 100</b>		<b>Emp. 10 to 99</b>		<b>Emp. 1 to 9</b>	
	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>	<b>Business Count</b>	<b>% of Total</b>
Total	133	1.0	1,667	19.0	7,165	80.0
Minority-Owned	3	0.0	176	2.0	871	9.7
Women-Owned	5	0.1	166	1.9	982	11.0

Sources: D&B, Milken Institute

## Concluding Points

Many key sectors of the so-called "second industrial revolution," such as the automobile industry and fabricated metal products, played a much bigger role in the Harbor area than in the rest of the city. Thus, the area has not characteristically developed a "new economy" built around technology-intensive industries, such as bio-technology and digital information technology, that generate high-wage jobs, attract other knowledge-based firms and improve living standards.

Shifts in demand, as well as outsourcing of production plants and the associated loss of blue-collar jobs, left their mark on the Harbor area's manufacturing sector. Following the post Cold War military cutbacks and the closing of local Boeing plants, the area's aerospace-related manufacturing industries experienced employment losses and the loss of a comparative advantage. However, in contrast to the other planning areas that experienced declines in their manufacturing base, the Harbor area's manufacturing sector still played an important role in 2002. Industrial machinery – followed by commercial printing and lithographics – ranked first in manufacturing employment. Still, the Harbor area does not capitalize enough on international trade opportunities as its manufacturing sector does not focus on the development that meets the needs of global markets.

The Harbor area's workforce is distinguished by a large share of primarily low-skilled immigrant workers. Most of the fastest-growing occupations in the area do not require a high school or college education. Automobiles and other motor vehicles, scrap waste materials and eating places accounted for 19 percent of the Harbor area's job creation. Growth in its wage disparity reflects the area's employment and business base shift toward lower-paying services industries and away from manufacturing.



The establishments within these industries are not linked to upward social mobility and relegate their employees to menial jobs without opportunities for advancement. By creating low-skilled jobs, the Harbor area's economy also created a demand for workers willing to work at low status jobs. With those dynamics in play, the Harbor area does not possess the substantial economic assets that high-tech businesses look for or can build on.

Major investments are being made in the Harbor area's port facilities and transportation facilities. Eating places, miscellaneous business services and general automotive repair shops are among the area's industries that showed substantial growth in business count over the 1992 decade. These establishments focus primarily on the Harbor area's domestic market and do not yield high sales revenues. Most critically, the area has not become a preferred location for technology firms to conduct international trade. This is also reflected in the area's shortage of financial institutions and banks with expertise in international transactions. Besides the Port of Los Angeles, the Harbor area has little to offer to draw high-tech companies.

A factor of concern to the Harbor area's business base is its lack of infrastructure, coupled with its shortage of industrial space, resulting in companies leaving the area. Although the Alameda Corridor is a vital piece of the Harbor area's freight movement infrastructure, ongoing traffic congestion and air pollution caused by the port could result in more regulatory burdens, such as imposing smog standards and the implementation of pollution controls that might hamper future business growth.

The Harbor area's construction market and recreational industry are currently in a special position with home builders discovering the area's appeal. A master planning effort to redevelop the San Pedro Waterfront into a local tourist destination is underway. The "Bridge to Breakwater" project at the Port of Los Angeles, which will provide various points of interest and development opportunities with recreational and commercial uses on the promenade, recently received a vote of approval by the Harbor Commission. However, the Board is not able to approve the Master Plan until the requisite environmental review processes are performed.<sup>8</sup> The Master Plan will open Los Angeles' door to the sea and target varied cultural and international trade uses.

The Harbor area's economy is driven predominantly by small-sized businesses. In 2002, 80 percent of all establishments had less than 10 employees. Notably, the area's larger establishments with 100 or more employees accounted for only 1 percent of the area's businesses, yet employed more than one-third of its workforce.