

Section IV



Comparison of Business Trends: Los Angeles City and the Surrounding County



Comparison of Business Trends: Los Angeles City and the Surrounding County

Methodology

This section examines the difference in economic performance between the City of Los Angeles and the other Los Angeles County cities, referred to here as “Surrounding County.” It is designed to gauge how employment and business activity in surrounding Los Angeles County differ from Los Angeles city. The population and economic activity of Los Angeles County is almost equally divided between Los Angeles city and the remainder of the county, thus the Surrounding County serves as a reasonable benchmark for measuring the relative economic strength of the city. Comparing and contrasting Los Angeles city and the Surrounding County reveals what policies and measures these regions employ to enhance their industry structure and attract businesses.

This section relies on Dun & Bradstreet firm-level data and is divided into three parts.

- The analysis begins with an overview of Los Angeles city’s demographic characteristics and economic trends, broken down by planning areas, to better understand the regional differences between Los Angeles city and the Surrounding County.
- Next we seek to determine whether and how the aggregate Los Angeles city differs from the aggregate Surrounding County. This part of our analysis focuses on a number of topics, including Los Angeles city’s and the Surrounding County’s leading industries measured by business count, the role of technology, and the demands of local employers in high-tech manufacturing and high-tech services. By including research and development activity and low-tech manufacturing establishments, the study cuts across demographic, economic and institutional considerations.
- Finally, taking all the regional dynamics and notable differences between both Los Angeles city and the Surrounding County into account, the last part of this section summarizes the findings.

Overview of Los Angeles City by Planning Areas

Taking into account regional differences within Los Angeles city’s seven planning areas and the Surrounding County in demographic and economic indicators reveals that the North Valley experienced the strongest growth in its population over the 1990-2000 period. The North Valley, followed closely by the South Valley saw continued population growth from births and immigration. In the context of Los Angeles city as a whole, the city grew by 6 percent, while the Surrounding County experienced 13 percent population growth over the 1990-2000 period.

With respect to ethnicity, in 2000, West Los Angeles had the highest percentage of Whites (61 percent), while East Los Angeles posted the highest percentage of Hispanics (71 percent). Hispanics are also the majority in the North Valley, Central Los Angeles, South Los Angeles and Harbor. Another important demographic indicator is education. We found that 30 percent of West Los Angeles’s population age 24 and over held a BA/BS degree, representing the highest percentage of people with secondary degrees among the seven planning areas. As of 2000, only 6 percent of South Los Angeles’ population age 24 and over obtained the same level of education.



Table 1-IV

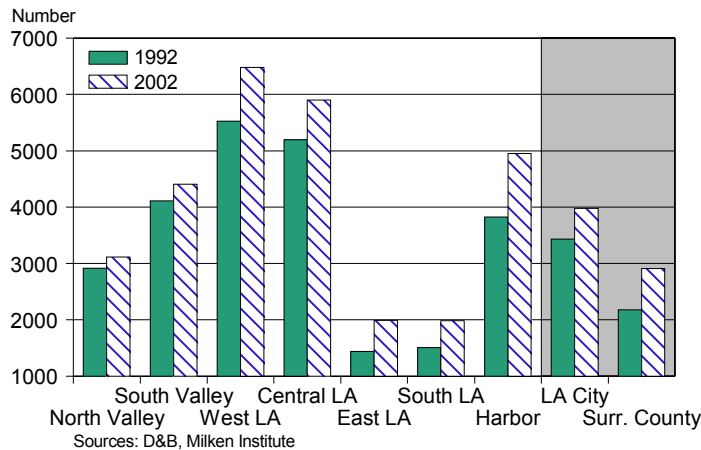
Demographic & Economic Indicators, 2000									
Indicators	NV	SV	WLA	CLA	ELA	SLA	Harbor	LA City	LA County (2002)
Population	651,944	703,012	394,671	658,914	405,126	687,984	193,168	3,694,820	9,768,236
% Change 92-02	12%	11%	5%	4%	-1%	3%	6%	6%	8%
Demographics	% of Population (2000)								
African American	4%	4%	5%	7%	2%	37%	8%	11%	7%
Hispanic	51%	34%	17%	44%	71%	57%	56%	47%	32%
Asian	10%	7%	13%	18%	14%	2%	8%	10%	9%
American Indian	0%	0%	0%	0%	0%	0%	0%	0%	1%
White	32%	50%	61%	27%	12%	3%	25%	30%	51%
Demographics	% of Population (1990)								
African American	5%	3%	4%	8%	2%	48%	7%	13%	8%
Hispanic	39%	24%	15%	44%	69%	46%	48%	40%	28%
Asian	9%	6%	10%	16%	15%	2%	9%	9%	9%
American Indian	0%	0%	0%	0%	0%	0%	0%	0%	1%
White	47%	65%	70%	32%	15%	3%	36%	37%	54%
Demographics	% Change 90-00								
African American	0%	45%	29%	-3%	6%	-21%	21%	-12%	-6%
Hispanic	48%	54%	17%	5%	2%	28%	25%	24%	28%
Asian	28%	30%	35%	16%	-6%	-11%	-6%	14%	17%
American Indian	-19%	-11%	-26%	-6%	13%	7%	-18%	-9%	61%
White	-24%	-15%	-8%	-10%	-19%	-11%	-25%	-15%	6%
Educational Attainment	As % of Population Aged 24 & Over								
No Schooling	5%	3%	1%	7%	9%	9%	5%	5%	5%
High School Diploma	21%	18%	12%	17%	17%	19%	23%	18%	18%
Some College	20%	22%	19%	16%	15%	16%	20%	18%	18%
BA/BS Degree	14%	20%	30%	19%	11%	6%	11%	16%	16%
MA/MS Degree	4%	6%	12%	5%	3%	2%	3%	5%	22%
Doctorate	1%	1%	3%	1%	1%	0%	1%	1%	25%
Income	Age 25 & over								
Median Annual Income (\$)	42,012	42,450	58,580	29,502	31,168	23,478	35,520	38,321	42,189
Economic Overview	% Growth 92-02								
Business Growth	20%	19%	23%	18%	34%	36%	37%	23%	34%
Employment Growth	4%	4%	16%	2%	7%	-6%	12%	5%	7%

Sources: LA City 2004, Milken Institute

With respect to business density, Figure 1 shows that there has been an overall increase in business density in both Los Angeles city and the Surrounding County. However, Los Angeles city recorded a much higher ratio of business startups than the Surrounding County. According to the data, Los Angeles city posted 106 business startups per 100,000 people in 2002, while the Surrounding County posted a ratio of 86 business startups per 100,000 people.

Within Los Angeles city, West Los Angeles is a highly developed area with more than 6,400 businesses per 100,000 people, while the average business density in East Los Angeles was 1,992 businesses per 100,000 people in 2002.

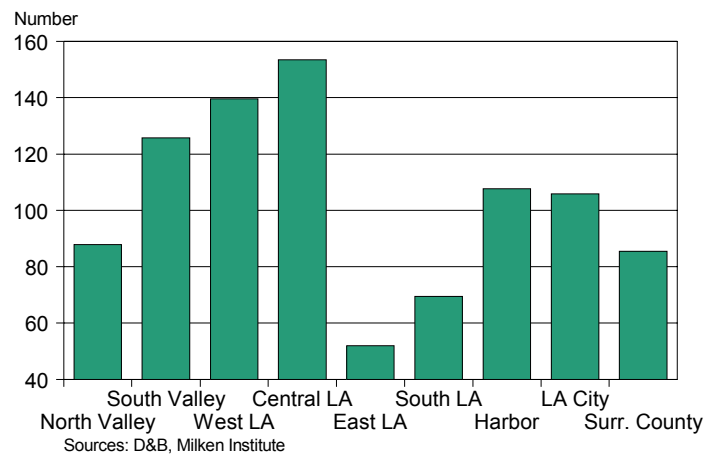
Figure 1-IV
Business Density per 100,000 People
1992 & 2002





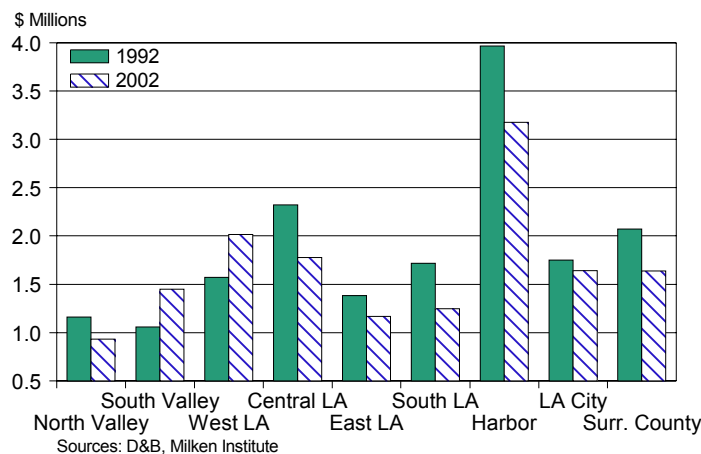
West Los Angeles' economic strength has been tied to the adaptability and flexibility of entrepreneurs responding to the technology-intensive market. In West Los Angeles, 140 businesses per 100,000 people were started in 2002.

Figure 2-IV
Business Startups per 100,000 People
 2002



The Harbor planning area had the highest average annual business sales revenues among the seven planning areas. Figure 3 profiles average annual business sales revenues per business in Los Angeles city by planning area in 1992 and 2002. Notably, both Los Angeles city and the Surrounding County posted \$1.64 million in average annual business sales revenues in 2002.

Figure 3-IV
Average Business Sales Revenues
 1992 & 2002



There are, however, regional differences between the Surrounding County and Los Angeles city. Indeed, analyzing firm-level data revealed the following economic profiles.



Overview of the Surrounding County

Industry Profile

Over the past decade, the Surrounding County expanded its business count by 45 percent and employment by 9 percent. Business growth was posted across the vast majority of the area's industry sectors.

Table 2-IV

Surrounding County - 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.	Business % Growth	Emp.
Services	SV	47,268	46,904	555,994	40	37	76,101	62,135	622,342	45	22	61	12
Retail Trade	RT	24,705	31,932	239,213	21	16	33,468	33,324	286,460	20	12	35	20
Construction	CN	7,571	9,060	68,292	6	4	9,851	15,809	74,005	6	6	30	8
Finance, Insurance & Real Estate	FI	10,085	25,767	95,684	9	6	15,558	29,969	111,197	9	11	54	16
Transp., Commun. & Public Ut.	TU	4,393	30,920	89,291	4	6	7,108	33,927	109,021	4	12	62	22
Wholesale Trade	WT	10,783	38,456	129,916	9	9	13,518	46,303	140,839	8	17	25	8
Mining	ML	173	2,621	2,563	0	0	165	2,642	2,280	0	1	-5	-11
Agriculture, Forestry & Fishing	AF	1,136	693	10,335	1	1	1,935	959	12,045	1	0	70	17
Manufacturing	MF	11,217	56,573	330,805	10	22	12,421	53,323	294,196	7	19	11	-11
Total		117,331	242,926	1,522,093	100	100	170,125	278,392	1,652,385	100	100	45	9

Sources: D&B, Milken Institute

The Surrounding County's largest sector in terms of business count, sales revenues and employment was services with more than 76,100 establishments and 622,300 jobs in 2002. Services increased its business share from 40 percent in 1992 to 45 percent in 2002, while, at the same time, showing a downward trend in the sector's share of total employment from 37 percent in 1992 to 22 percent in 2002.

Manufacturing, at 7 percent of the Surrounding County's total establishments and 19 percent of its total employment, was the second-largest business sector in terms of employment in 2002.

The retail trade sector was another important business sector in 2002, employing 12 percent of the Surrounding County's workers and experiencing an increase in its establishments of 35 percent over the past decade.

At the same time, which is particularly remarkable, the Surrounding County's wholesale trade sector decreased its share of establishments from 9 percent in 1992 to 8 percent in 2002, while its employment share increased from 9 percent in 1992 to 17 percent in 2002. Within the durable goods wholesale trade sector, industrial machinery and equipment accounted for a large number of establishments, while groceries and related products accounted for a large share of the area's establishments within the nondurable goods wholesale sector.

Establishment class-size is another important aspect of the Surrounding County's economic base. Businesses with less than 50 employees accounted for 97 percent of the area's establishments. These establishments employed 51 percent of the Surrounding County's total workforce and generated 40 percent of the Surrounding County's sales revenues. Indeed, despite the strong presence of the area's smaller businesses, the area's few large establishments had a significant impact on the strength of the Surrounding County's economy.



Overview of Los Angeles City

Industry Profile

From 1992-2002, Los Angeles city expanded its business count by 23 percent and employment by 5 percent, less than that of the Surrounding County. This is partly attributable to Los Angeles city's lack of available industrial land, accompanied by factors such as the city's high tax structure, propelling relocation of establishments from the city to the surrounding area. Still, business growth was posted across the vast majority of Los Angeles city's industry sectors.

Table 3-IV

Los Angeles City - 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.	Business % Growth	Emp. % Growth
Services	SV	52,923	51,281	604,356	44	43	69,065	61,050	659,443	47	45	31	9
Retail Trade	RT	23,613	19,349	196,348	20	14	28,309	19,344	211,040	19	14	20	7
Construction	CN	5,947	10,416	44,598	5	3	6,926	6,489	46,681	5	3	16	5
Finance, Insurance & Real Estate	FI	9,996	42,296	111,139	8	8	11,987	46,865	113,277	8	8	20	2
Transp., Commun. & Public Ut.	TU	3,698	10,963	82,879	3	6	5,227	13,730	96,102	4	7	41	16
Wholesale Trade	WT	11,793	41,765	112,048	10	8	13,178	46,297	120,781	9	8	12	8
Mining	ML	99	98	945	0	0	83	10,433	2,972	0	0	-16	214
Agriculture, Forestry & Fishing	AF	824	754	6,484	1	0	1,216	341	8,174	1	1	48	26
Manufacturing	MF	10,793	32,480	231,994	9	17	10,940	36,574	203,715	7	14	1	-12
Total		119,686	209,402	1,390,791	100	100	146,931	241,122	1,462,185	100	100	23	5

Sources: D&B, Milken Institute

A breakdown of Los Angeles city's industry sectors in 2002 indicates that the area's largest business sector by far was services.

- The services sector accounted for 47 percent of total establishments in 2002 as compared to 44 percent in 1992.
- With respect to employment, the services sector accounted for 43 percent of the city's total employment in 1992, increasing to 45 percent in 2002.
- In contrast to the Surrounding County, Los Angeles city did not experience a dramatic decline in the employment share of its services sector between 1992 and 2002.



The second-largest industry sector measured by business count was retail trade, with upwards of 28,300 establishments and employment totaling over 211,000 jobs in 2002. Closer study reveals that Los Angeles city's retail trade sector grew by 20 percent over the 1992-2002 decade.

Los Angeles city's share of establishments in the manufacturing sector accounted for 7 percent of the area's total establishments in 2002, down from 9 percent in 1992. Manufacturing employment fell from 17 percent in 1992 to 14 percent in 2002.

Another interesting aspect of Los Angeles city's business base is that businesses with less than 50 employees accounted for 97 percent of the area's establishments in 2002. These establishments employed 49 percent of the area's workforce and generated 39 percent of Los Angeles city's total sales revenues – a clear sign of their importance to the economy.

Comparison of Los Angeles City and Surrounding County

Leading Industries by Business Count

Los Angeles city's five leading industries (those that comprise 5 percent or more of the city's total establishments) are durable wholesale trade, miscellaneous retail, business services, health services and engineering, accounting, research and management services (Table 4). These are also the leading industries that had five percent or more of the Surrounding County's total establishments. This is also true for Los Angeles County as a whole. Therefore, it is interesting to note, that the concentration of establishments within Los Angeles city, the Surrounding County and Los Angeles County is comprised of the same leading industries.

Table 4 is an indicator of the relative importance these leading industries constitute to the geographic entities of Los Angeles city and the Surrounding County when measured as a percentage of Los Angeles County's total establishments.



Table 4-IV
Los Angeles City vs. Surrounding County, 2002

Industry	SIC	% of L.A. County Total Establ.	
		L.A. City	Surrounding County
Construction	17	42	58
Apparel & Other Finished Products	23	67	33
Measuring, Analyzing and Controlling Insts.	38	42	58
Wholesale Trade - Durable	50	46	54
Wholesale Trade - Nondurable	51	55	45
Eating & Drinking Places	58	45	55
Miscellaneous Retail	59	46	54
Real Estate	65	45	55
Personal Services	72	43	57
Business Services	73	48	52
Auto. Repair, Services & Parking	75	45	55
Motion Pictures	78	62	38
Health Services	80	44	56
Legal Services	81	58	42
Membership Organizations	86	45	55
Eng., Accounting, Research & Management	87	47	53

Sources: D&B, Milken Institute

Perhaps most surprising is that the economic performance of Los Angeles city and the Surrounding County in 2002 was quite similar among the leading industries, split almost evenly across the leading industry sectors (Table 4), though the vast majority of apparel and entertainment industry establishments were situated in Los Angeles city while the Surrounding County had a higher concentration of businesses in the measuring, analyzing and controlling instruments industry. This is a reflection of the Surrounding County's highly educated workforce and business-friendly environment.

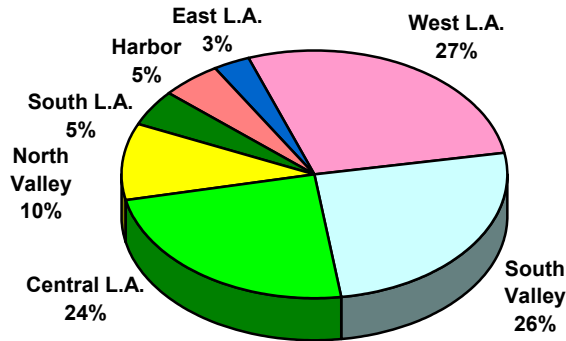
The following pie charts present industry specific breakdowns in Los Angeles city by planning area.

In 2002, 53 percent of Los Angeles County's businesses engaged in engineering, accounting, research and management services were located in the Surrounding County versus 47 percent in Los Angeles city. In Los Angeles city, West Los Angeles, the South Valley and Central Los Angeles had the most firms. Firms in East Los Angeles, South Los Angeles and Harbor faced problems attracting local human capital with the required skill-sets.



Figure 4-IV

Engineering, Acctg., Research & Mgmt.
Establishments as % of L.A. City Totals, 2002

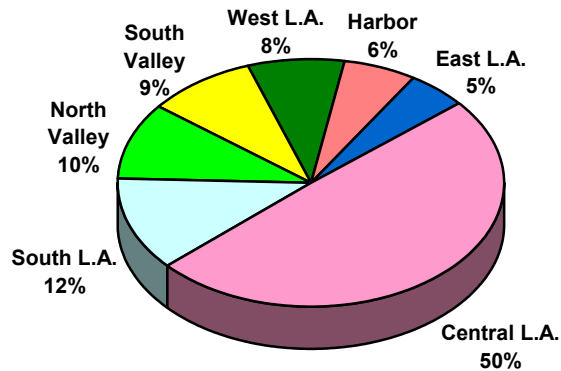


Sources: D&B, Milken Institute

Forty-six percent of the durable wholesale trade establishments in all of Los Angeles County were located in Los Angeles city with 30 percent of those in Central Los Angeles. The county's remaining 54 percent were situated in the Surrounding County in 2002.

Figure 5-IV

Wholesale Trade - Nondurable
Establishments as % of L.A. City Totals, 2002



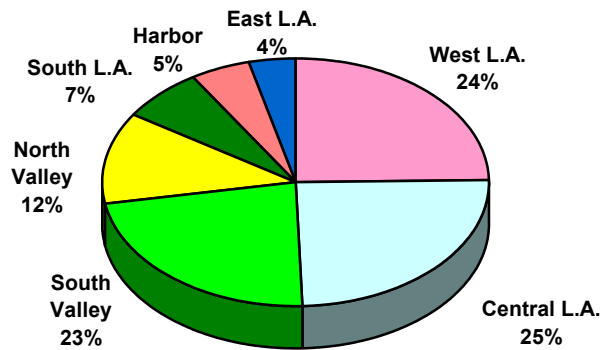
Sources: D&B, Milken Institute

The real estate industry is not evenly divided between Los Angeles city and the Surrounding County. Fifty-five percent of Los Angeles County's establishments that are engaged in this particular industry are located in the Surrounding County, while the remaining 45 percent are in Los Angeles city.



Figure 6-IV

Real Estate
Establishments as % of L.A. City Totals, 2002

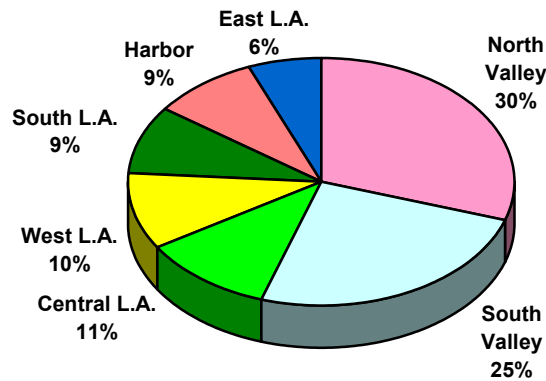


Sources: D&B, Milken Institute

On the construction front, in 2002, 58 percent of Los Angeles County’s establishments were in the Surrounding County, while the remaining 42 percent were in Los Angeles city. The pie chart below shows the distribution of construction establishments within Los Angeles city.

Figure 7-IV

Construction
Establishments as % of L.A. City Totals, 2002

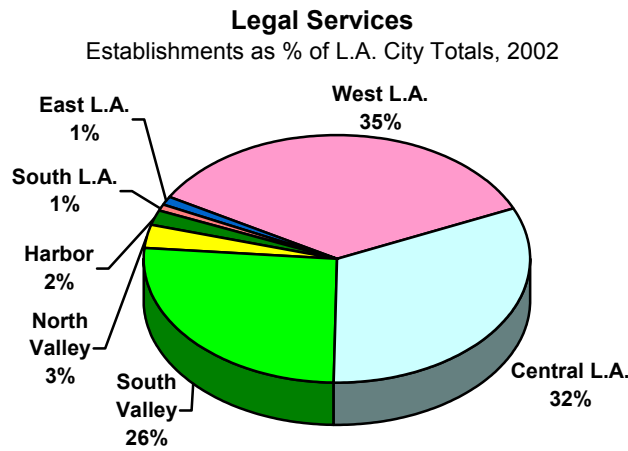


Sources: D&B, Milken Institute

The trend in legal services in 2002 was that 58 percent of Los Angeles County’s firms were located in Los Angeles city while the remaining 42 percent were found in the Surrounding County.



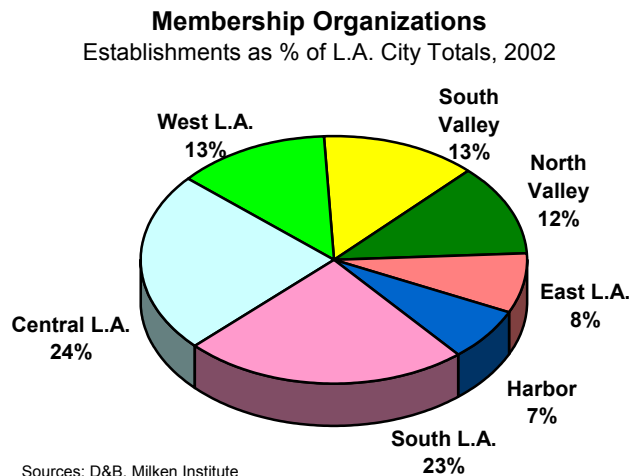
Figure 8-IV



Sources: D&B, Milken Institute

Fifty-five percent of Los Angeles County’s membership organizations were located in the Surrounding County, while 45 percent were found in Los Angeles city. However, the relative importance of membership organizations for Los Angeles city is evidenced by the high ratio of 109 establishments per 100,000 people in 2002 versus only 51 membership organizations per 100,000 people in the Surrounding County.

Figure 9-IV



Sources: D&B, Milken Institute

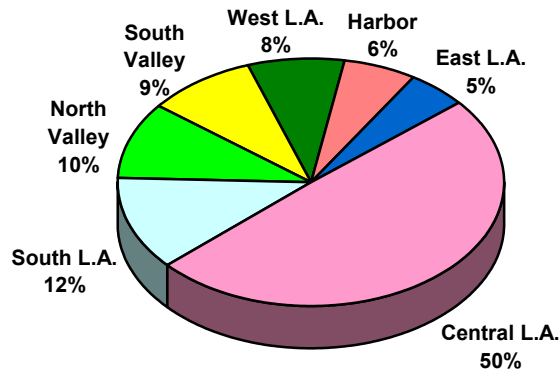
Finally, 55 percent of Los Angeles County’s establishments engaged in nondurable wholesale trade were located in Los Angeles city and 45 percent in the Surrounding County.



Figure 10-IV

Wholesale Trade - Nondurable

Establishments as % of L.A. City Totals, 2002



Sources: D&B, Milken Institute

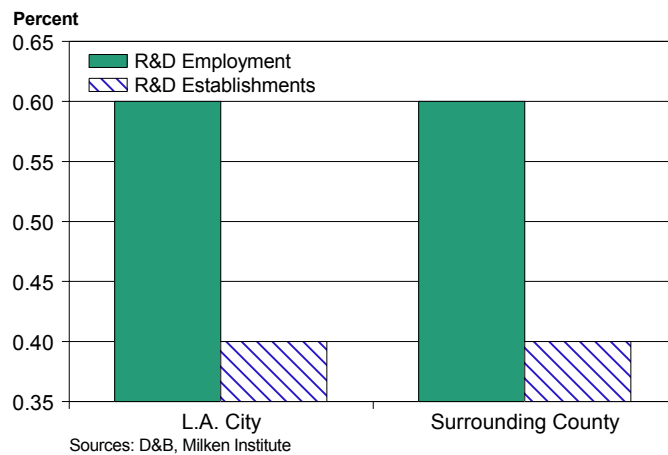
Research and Development

Research and testing services accounted for 0.4 percent of total establishments in both Los Angeles city and the Surrounding County. In terms of employment, the shares were equal as well, with each area employing 0.6 percent of its total workforce in the research and testing services industry.

Figure 11-IV

Research & Testing Services

Share of Total Employment and Total Establishments, 2002



Sources: D&B, Milken Institute



Table 5 provides an overview of Los Angeles city's research and testing services industry's share of total establishments and total employment broken down by planning areas.

Table 5-IV
Research & Testing Services
Los Angeles City, 2002

SIC 8731-8734	Business		% of Area Total		% of Los Angeles City Total	
	Count	Emp.	Estab.	Emp.	Estab.	Emp.
North Valley	82	640	0.4	0.3	14	7
South Valley	129	2,079	0.4	0.9	22	22
West Los Angeles	160	2,715	0.6	1.0	27	29
Central Los Angeles	135	2,550	0.3	0.7	23	27
East Los Angeles	17	267	0.2	0.3	3	3
South Los Angeles	24	113	0.2	0.1	4	1
Harbor	44	970	0.5	0.8	7	10
Los Angeles City Total	591	9,334	0.4	0.6	100	100

Sources: D&B, Milken Institute

In the Surrounding County, selected cities, among them Calabasas, Pasadena and Santa Monica, paid greater attention to incentives for innovation and the market structure necessary to sustain research and testing services. Calabasas had 15 establishments in the research and testing services industry that accounted for 1.1 percent of Calabasas' total establishments in 2002 (Table 6). When looking at the Surrounding County, 645 establishments in this particular industry accounted for 0.4 percent of its establishments in 2002.

Table 6-IV
Research & Testing Services
Surrounding County - Selected Cities, 2002

SIC 8731-8734	Business		% of Area Total		% of Surrounding County Total	
	Count	Emp.	Estab.	Emp.	Estab.	Emp.
Long Beach	49	657	0.4	0.6	8	7
Santa Monica	47	605	0.6	0.9	7	6
Pasadena	62	624	0.8	0.8	10	7
Burbank	17	206	0.3	0.4	3	2
Calabasas	15	217	1.1	1.8	2	2
Surrounding County Total	645	9,551	0.4	0.6	100	100

Sources: D&B, Milken Institute



High-Tech Industry

“The composition and quality of the workforce is constantly changing in response to economic forces, social trends and technology.”¹ The Surrounding County’s high-tech sector accounted for 6 percent of its total establishments and 8 percent of the total employment in 2002.

Table 7-IV
High-Tech Manufacturing
Surrounding County

Industry	SIC	1992		2002		1992-2002 % Growth	
		Business Count	Emp.	Business Count	Emp.	Establ.	Emp.
Drugs	283	46	3,292	99	2,282	115	-31
Computer & Office Equipment	357	129	4,637	182	3,935	41	-15
Communications Equipment	366	129	7,930	182	6,359	41	-20
Electronic Components & Accessories	367	219	10,936	215	8,403	-2	-23
Aircraft and Parts	372	169	15,299	153	22,299	-9	46
Guided Missiles, Space Vehicles & Parts	376	6	3,095	9	433	50	-86
Search & Navigation Equipment	381	25	8,441	47	1,775	88	-79
Measuring & Controlling Devices	382	194	5,937	192	3,982	-1	-33
Medical Equipment, Instruments & Supplies	384	140	3,541	176	4,722	26	33
Total		1,057	63,108	1,255	54,190	19	-14

Sources: D&B, Milken Institute

Between 1992 and 2002, most of the Surrounding County’s high-tech manufacturing industries² experienced growth in business count and a severe decline in employment. The Surrounding County’s drug industry experienced a decline in employment of 31 percent, and computer and office equipment experienced a 15 percent decline in employment since 1992. Aircraft and parts as well as medical equipment, instruments and supplies were the only high-tech manufacturing industries that continued to grow in terms of employment during that decade.

With respect to the area’s aircraft and parts industry, the substantial employment gain was primarily due to the “Long Beach site in California [that] became part of Boeing as a result of the merger of Boeing and McDonnell Douglas in 1997.”³

In terms of the Surrounding County’s guided missiles, space vehicles and parts industry, the departure of Hughes Aircraft Company, with 2,500 employees in 1992, was a major factor in the industry’s employment decline. “In May 1992, the then Hughes Aircraft Company and General Dynamics Corporation announced that Hughes had agreed to acquire General Dynamics’ missile business. . . . In September 1992, Hughes Missile Systems Company announced that it was consolidating missile manufacturing activities from several locations into its plant in Tucson, Arizona. This meant the end of major production lines in San Diego, Pomona and Rancho Cucamonga, California and Camden, Arkansas.”⁴

Los Angeles Air Force Base (LAAFB) provides more than 50,000 jobs and has an \$8 billion annual impact on Los Angeles County’s economy. The plan to move it out of California is a threat to the Surrounding County’s economy. The Space and Missile Systems Center at LAAFB, located in El Segundo, manages \$60 billion in contracts and employs 90 percent of the employees involved in military space work. The federal Base Realignment and Closure (BRAC) process threatens these jobs unless the Department of Defense sees the important military value of LAAFB to national security and chooses not to move the Base.⁵



Table 8 illustrates the dynamic nature of the Surrounding County’s high-tech services industries. Telecomm services, followed by computer and data processing services, were among the area’s fastest growing high-tech services industries. With nearly 3,350 establishments in computer and data processing services in 2002, including companies such as Ideamax Corporation in Covina (started in 1998), Manugistics Western Data Systems in Calabasas (started in 2002) and Labtam Inc. in Beverly Hills (started in 2000), this industry is playing an increasingly important role in the area’s economy. Computer and data processing services represented 46 percent of all Surrounding County high-tech services jobs in 2002.

Table 8-IV

**High-Tech Services
Surrounding County**

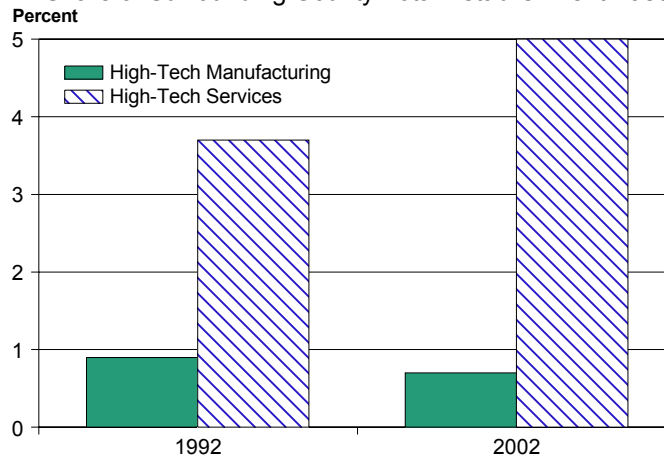
Industry	SIC	1992		2002		1992-2002 % Growth	
		Business Count	Emp.	Business Count	Emp.	Establ.	Emp.
Telephone Communications Services	481	117	3,782	774	7,497	562	98
Computer & Data Processing Services	737	1,303	22,870	3,349	38,077	157	66
Motion Pictures	781	938	14,823	1,880	13,854	100	-7
Engineering & Architectural Services	871	1,588	13,149	1,930	14,375	22	9
R&D Services	873	435	8,780	645	9,551	48	9
Total		4,381	63,404	8,578	83,354	96	31

Sources: D&B, Milken Institute

Conversely, in an effort to limit corporate losses, the high-tech manufacturing sector shrank as a share of the Surrounding County’s overall establishments.

Figure 12-IV

High-Tech Services vs. High-Tech Manufacturing
Share of Surrounding County Total Establishment Base



Sources: D&B, Milken Institute

In 2002, Los Angeles city’s high-tech sector accounted for 6 percent of the area’s total establishments and 9 percent of the area’s total employment.

Rapid growth has been increasing in certain high-tech manufacturing sectors⁶ within Los Angeles city. Of particular interest is Los Angeles city’s drug industry, which experienced 28 percent growth in employment and 67 percent growth in its establishments over the 1992-2002 decade. Grifols Biologicals Inc., a company primarily engaged in biological products (except diagnostic), and Standard Homeopathic Company, a South Los Angeles based company that is primarily engaged



in pharmaceutical preparations, are among the drug companies that fueled the area's economy. Los Angeles city's overall employment in high-tech manufacturing dropped 13 percent, while its business count grew 6 percent between 1992 and 2002.

Table 9-IV
High-Tech Manufacturing
Los Angeles City

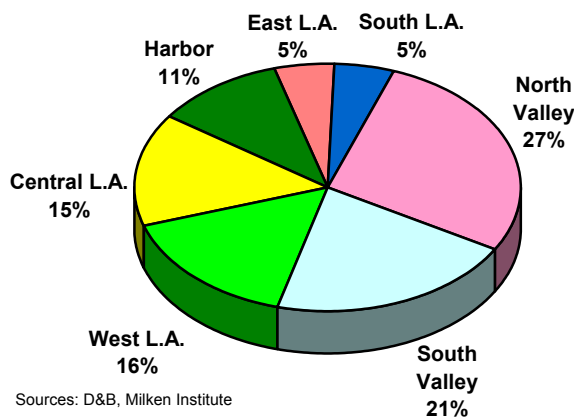
Industry	SIC	1992		2002		1992-2002 % Growth	
		Business Count	Emp.	Business Count	Emp.	Establ.	Emp.
Drugs	283	42	2,301	70	2,955	67	28
Computer & Office Equipment	357	96	2,699	105	1,946	9	-28
Communications Equipment	366	87	2,790	86	2,254	-1	-19
Electronic Components & Accessories	367	163	5,957	169	5,978	4	0
Aircraft and Parts	372	99	9,995	91	5,559	-8	-44
Guided Missiles, Space Vehicles & Parts	376	6	528	5	232	-17	-56
Search & Navigation Equipment	381	14	1,071	15	1,716	7	60
Measuring & Controlling Devices	382	116	2,609	115	2,545	-1	-2
Medical Equipment, Instruments and Supplies	384	115	3,267	124	3,945	8	21
Total		738	31,217	780	27,130	6	-13

Sources: D&B, Milken Institute

Most of Los Angeles city's measuring, analyzing and controlling instruments, establishments are located in the North Valley and South Valley with 27 percent and 21 percent, respectively.

Figure 13-IV

Measuring, Analysing & Controlling Inst.
Establishments as % of L.A. City Totals, 2002



Sources: D&B, Milken Institute

Los Angeles city's telecomm services industry exhibited substantial business growth (337 percent), though employment has been almost stagnant. As of 2002, 77 percent of these establishments employed from one to nine employees.



Table 10-IV
High-Tech Services
Los Angeles City

Industry	SIC	1992		2002		1992-2002 % Growth	
		Business Count	Emp.	Business Count	Emp.	Establ.	Emp.
Telephone Communications Services	481	175	8,915	764	8,828	337	-1
Computer & Data Processing Services	737	1,244	20,570	2,530	25,978	103	26
Motion Pictures	781	2,457	36,087	3,419	41,367	39	15
Engineering & Architectural Services	871	1,373	11,023	1,439	11,939	5	8
R&D Services	873	455	9,098	591	9,334	30	3
Total		5,704	85,693	8,743	97,446	53	14

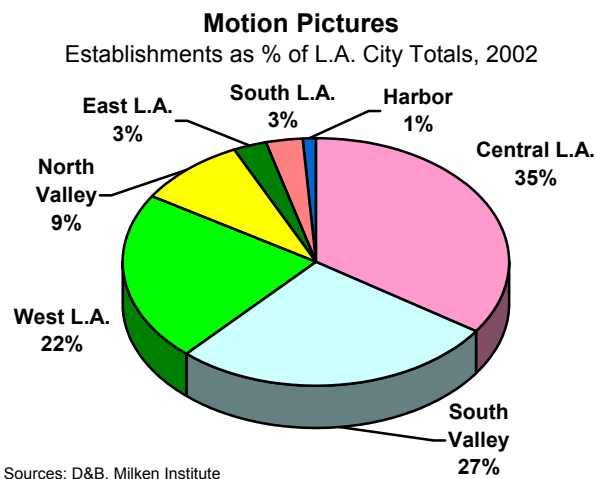
Sources: D&B, Milken Institute

With respect to the motion pictures industry, 62 percent of Los Angeles County’s establishments are in Los Angeles city, while the remaining 38 percent are located in the Surrounding County.

As is evidenced in the pie chart, Central Los Angeles comprised 35 percent of Los Angeles city’s total establishments in motion pictures, followed closely by the South Valley and West Los Angeles. The South Valley’s higher office vacancy rate and lower average monthly rents attract low-budget entertainment establishments to the area, however, it faces fierce competition from newer suburbs, such as Calabasas, that offer lower taxes, less regulation, and lower land and office costs.

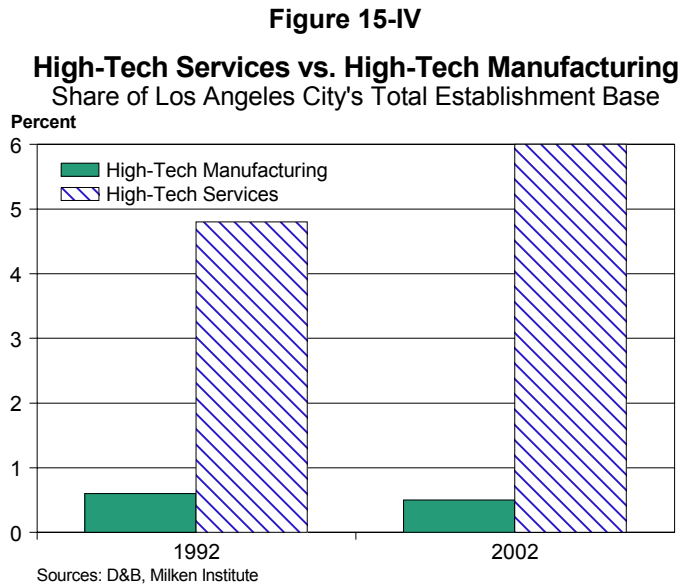
Central Los Angeles has retained its preeminent position in the motion picture industry by adapting to technology-intensive activities.

Figure 14-IV

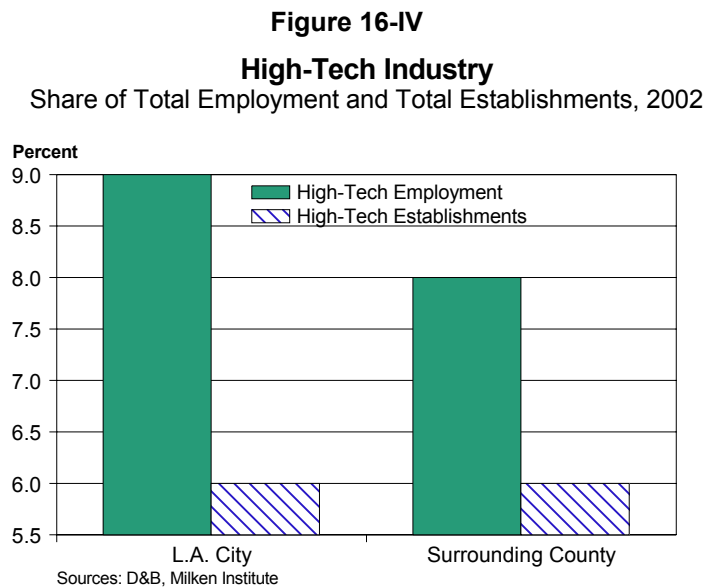




As in the Surrounding County, Los Angeles city's high-tech manufacturing sector decreased as a share of the area's overall establishments, while its share of high-tech services increased over the 1992-2002 decade.



Perhaps surprisingly, in 2002, high-tech employment was greater in Los Angeles city than in the Surrounding County.

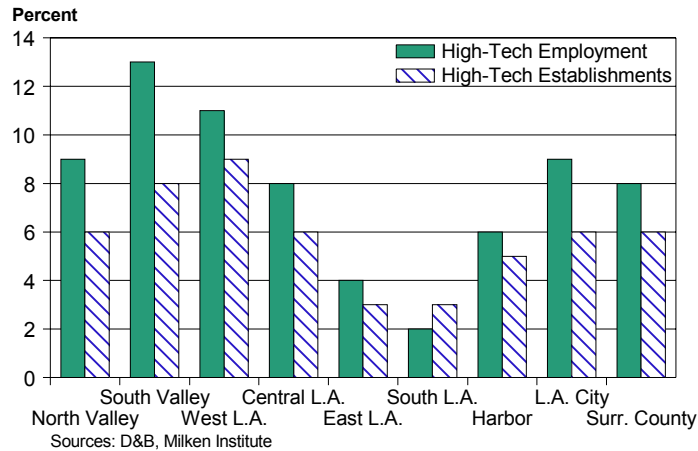


Nine out of 100 employees in Los Angeles city worked in a high-tech related position in 2002, demonstrating the importance of the sector to the city's economy. These figures suggest that technology, especially high-tech services, has been and continues to be an important force for Los Angeles city, with an ensuing demand for "skill" that is not fully satisfied by Los Angeles city's workforce educational attainment.



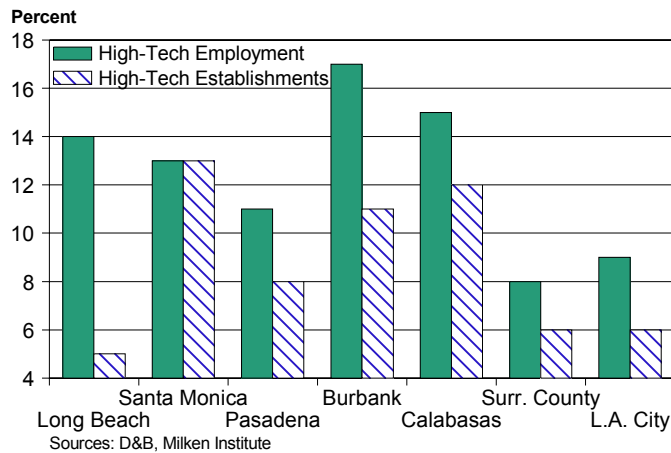
The high-tech industry has a strong foothold, particularly in West Los Angeles, South Valley and North Valley. The data support the view that higher education leads to employment growth in the high-tech sector. The policy implications of focusing on human capital as a factor that facilitates innovative activity and technology diffusion are significant.

Figure 17-IV
High-Tech Industry
Share of Total Employment and Total Establishments, 2002



The Surrounding County's high-tech industry's share of total employment is but 1 percent lower than Los Angeles city's share. High-tech employment is not equally spread across the Surrounding County's cities with cities such as Burbank and Calabasas capturing a greater share of the total.

Figure 18-IV
High-Tech Industry
Share of Total Employment and Total Establishments, 2002

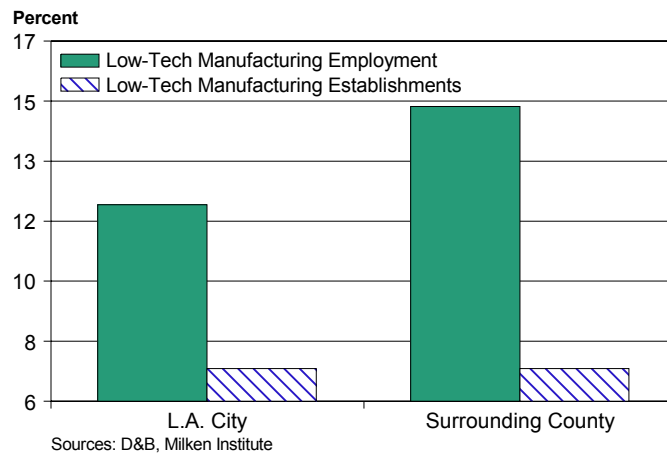




Low-Tech Manufacturing

Even though high-tech industries are vital to the growth and success of Los Angeles County's economy, Los Angeles County's growth sectors concentrate primarily on low-end services, construction, retail and low-tech manufacturing industries. In 2002, in terms of business count both Los Angeles city and the Surrounding County posted the same share of low-tech manufacturing establishments (7 percent of each area's total establishments). However, the Surrounding County employed a larger share of its workforce in these industries. Figure 19 shows that over 12 percent of the Surrounding County and nearly 15 percent of Los Angeles city's employment was in low-tech manufacturing, an indication that the low-tech manufacturing sector plays an important role in both area economies.

Figure 19-IV
Low-Tech Manufacturing
 Share of Total Employment and Total Establishments, 2002



Industrial machinery and commercial printing were the two top low-tech manufacturing industries by business count in both the Surrounding County and Los Angeles city in 2002. These two industries accounted for 1,554 and 1,133 establishments in the Surrounding County and Los Angeles city, respectively.



Table 11-IV
Surrounding County-Top 10 Low-Tech Manufacturing Industries
Ranked by Business Count, 2002

Industry	SIC	Business Count	Sales Rev. (\$Mil.)	Emp.
Miscellaneous Industrial Machinery	3599	881	704	9,139
Commercial Printing, Lithographic	2752	673	910	8,605
Miscellaneous Commercial Printing	2759	475	292	3,549
Signs & Advertising Specialties	3993	296	169	1,838
Miscellaneous Plastic Products	3089	246	905	8,410
Miscellaneous Manufacturing Industries	3999	242	268	2,411
Miscellaneous Publishing	2741	232	91	1,469
Periodicals	2721	183	205	1,944
Book Publishing	2731	174	63	753
Plating Polishing	3471	170	247	4,373

Sources: D&B, Milken Institute

Low-tech manufacturing industries are important in terms of jobs, but they are also important contributors to the local economy in terms of generating sales revenues. However, these low-skilled and low-wage jobs are also characterized by low investment on the part of companies to upgrade workers' skills.

Table 12-IV
Los Angeles City-Top 10 Low-Tech Manufacturing Industries
Ranked by Business Count, 2002

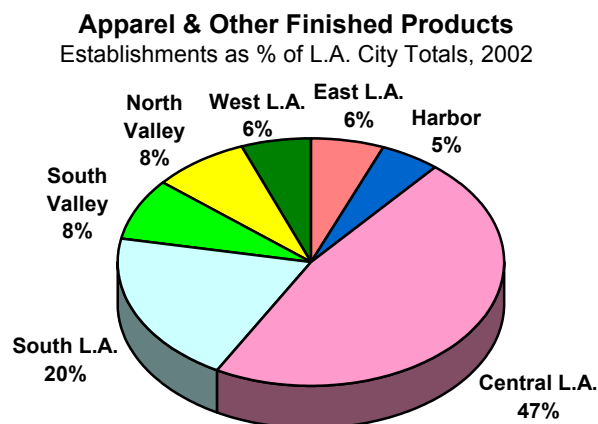
Industry	SIC	Business Count	Sales Rev. (\$Mil.)	Emp.
Commercial Printing, Lithographic	2752	579	650	5,404
Miscellaneous Industrial Machinery	3599	554	643	5,149
Jewelry Precious Metal	3911	454	429	3,232
Women's & Men's Outerwear	2339	402	1,172	6,985
Miscellaneous Commercial Printing	2759	378	356	4,234
Periodicals	2721	261	296	3,828
Miscellaneous Publishing	2741	252	337	1,643
Signs & Advertising Specialties	3993	231	248	2,751
Miscellaneous Manufacturing Industries	3999	208	131	1,864
Book Publishing	2731	189	152	1,118

Sources: D&B, Milken Institute



Sixty-seven percent of apparel industry establishments, another low-tech manufacturing industry, are located in Los Angeles city with only 33 percent located in the Surrounding County. Most of those – 47 percent – are located in Central Los Angeles, followed by South Los Angeles with a 20 percent share.

Figure 20-IV



Sources: D&B, Milken Institute

The apparel and other finished products industry recorded substantial business and job losses over the past decade. Globalization has led to more and more garment manufacturers sourcing production outside the United States, to countries with lower production costs. Los Angeles city's apparel industry is about to change its face from one of low-wage manufacturing to high-end fashion creation and production.

Concluding Points

Perhaps most surprisingly, the economic performance of Los Angeles city and the Surrounding County were similar among the leading industries as of 2002.

Here are some of the highlights.

Downtown Los Angeles, with its large concentration of labor supply and textile suppliers, is an attractive location for the apparel industry, one of the top performing industries in the city. The downside is that this industry is primarily filled with immigrants with limited education who work in low-wage jobs with limited or no job security.

Los Angeles city dominates the motion pictures industry. The entertainment industry will continue to provide many high-paying occupations at more advanced levels in the city and boost demand for local products and services.

The Surrounding County has a strong presence in the measuring, analyzing and controlling instruments industry engendered by a highly educated workforce and business-friendly environment. Select cities, including Calabasas, Pasadena and Santa Monica have paid a great deal of attention to the incentives for innovation and market structure necessary to sustain R&D.



One hundred and nine membership organizations per 100,000 people were located in Los Angeles city versus 51 membership organizations per 100,000 people in the Surrounding County, suggesting that the city's residents are more in need of the social services provided by the area's faith-based and membership organizations.

Entrepreneurship is essential to economic growth and prosperity. Los Angeles city posted 106 business startups per 100,000 people in 2002, while the Surrounding County had a ratio of 166 business startups per 100,000. This is largely attributed to the Surrounding County's more favorable business tax structure and a more hospitable business environment in terms of regulations, permits and licensing activity.

While business density (number of businesses/100,000 people) in Los Angeles city exceeded that of the Surrounding County's, the city needs to retain and grow "knowledge" establishments and provide the types of amenities that attract them to stay competitive.

Annual average sales revenues per business were \$1.6 million for both the Surrounding County as well as Los Angeles city in 2002. This represents a decline for both areas from \$2.0 million and \$1.7 million ten years ago, respectively.

More than 97 percent of Los Angeles city's and the Surrounding County's businesses employed less than 50 people, but accounted for 49 percent and 51 percent, respectively, of each area's local workforce. These companies are critical to the economic viability of the region and require a business environment that nurtures the growth of small-sized companies.

Los Angeles city's minority-owned businesses provided more than 96,000 jobs and generated over \$10.5 billion in sales revenues in 2002. Policies and strategies that support the growth of minority- and women-owned businesses are another essential growth component.