

CHAPTER 2

POPULATION AND ECONOMY OF THE FOUR-COUNTY REGION

Introduction

Population

Four-County Economy

INTRODUCTION

Los Angeles, Orange, Riverside, and San Bernardino counties collectively constitute one of the largest regional economies in the United States. In 1993, the area's gross regional product (GRP) was \$290 billion (1987 dollars), which was five percent of the nation's gross domestic product (REMI, 1995). These counties contained 14.8 million people in 1994, which was equivalent to 46 percent of California's total population (Department of Finance, 1995). In addition, there were 5.6 million wage and salary workers in the four-county area in 1994, a 46 percent share of the state's total wage and salary workforce.

POPULATION

The population of the four-county area is expected to grow from its 1994 level of 13.9 million to 16.8 million in 2010 and 19.1 million in 2020 (Southern California Association of Governments (SCAG), 1996). This represents an annual population growth rate of 1.4 percent over the 1994 - 2020 period. From 1994 to 2000 the population is projected to grow at a more rapid rate of 1.6 percent annually. From 2000 to 2010, the expected annual growth rate slows to 1.3 percent. From 2010 to 2020, the annual population growth rate is projected at 1.5 percent.

According to the 1990 census, the 13.9 million residents in the four-county area had the following racial and ethnic distribution: 49 percent were White, 8 percent were African American, 33 percent were Hispanic, 9 percent were Asian or Pacific Islander, and 1 percent were of other racial groups. Los Angeles County was the most racially and ethnically diverse county in the region, with 41 percent Whites and 37 percent Hispanics. Los Angeles and Orange counties had the greatest percentage of Asians and Orange and Riverside counties had the greatest percentage of Whites. In all four counties, Whites and Hispanics were the two largest ethnic groups. Figure 2-1 shows the ethnic distribution of the population by county. The ethnic composition of the region's workforce is described later in this chapter.

FOUR-COUNTY ECONOMY

The four-county economy is the twelfth largest in the world, and is well diversified. The economy is comprised of such varied industries as apparel, biotechnology, motion picture production, tourism, and more traditional industries such as machinery, plastics, chemicals, petroleum, and printing and publishing (CCSCE, 1995). The regional economy is characterized by high-technology industries and a highly skilled labor force.

The region's economy grew faster in the 1980s than the rest of the nation's economy. The recession of 1990-1993 subsequently caused a sharper downturn for the region than for the nation as a whole. The recession also lasted longer in California than it did in the rest of the nation. Compounding the region's recession was the decline in federal spending in the aerospace and defense industries--a major share of the region's industrial base.

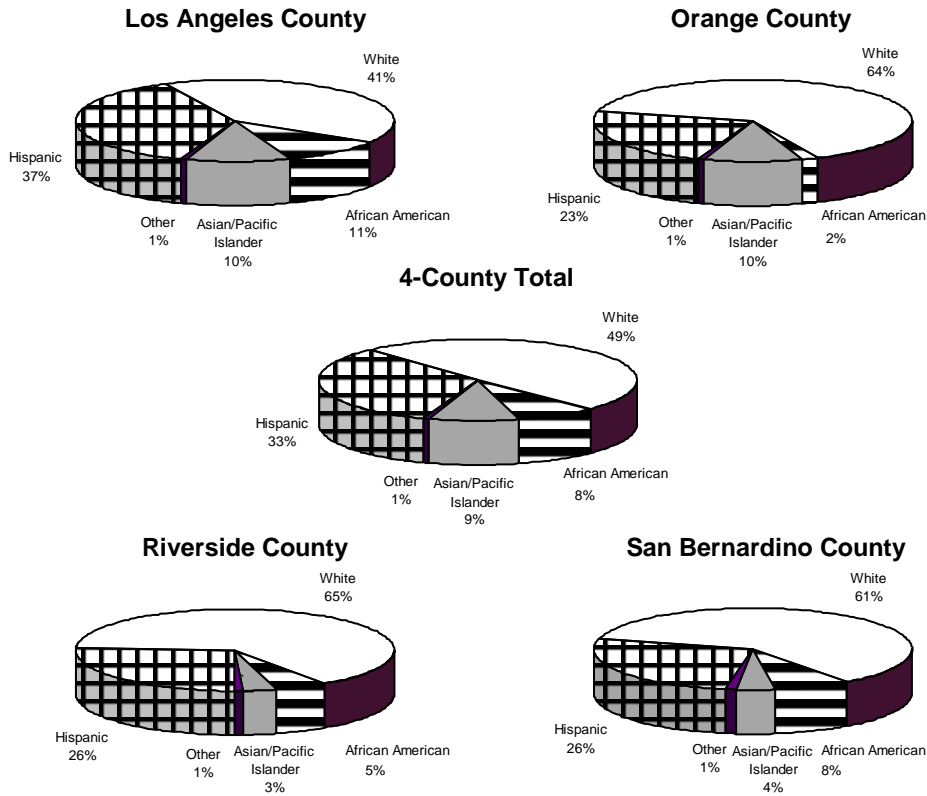


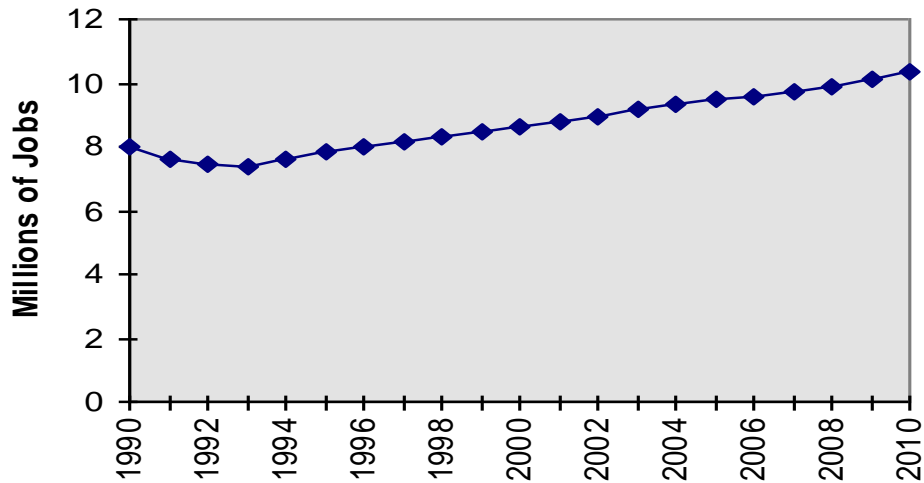
FIGURE 2-1
Population by Race and Ethnicity

Recovery from the recession began in 1994. Leading the recovery have been the motion picture, amusement, and recreation industries. Foreign exports have also aided the recovery. In fact, the dollar value of exports rose even during the recession, at a 7.3-percent annual rate between 1990 and 1994 (CCSCE, 1995). The construction industry, hard hit by the recession, did not begin its recovery until 1995. The real estate sector has yet to regain its pre-recession level of employment (EDD, 1996).

Future Growth

Projections by the REMI (Regional Economic Models, Inc.) model¹ indicate that the four-county area’s economy will grow significantly from 1993 through 2010. As Figure 2-2 indicates, during this period, almost 3 million new jobs are predicted for the four-county area. This represents an estimated annual growth of approximately 2 percent. This growth rate projection is similar to that identified by SCAG.

¹ The REMI model has been adjusted to ensure that its employment and population forecasts be consistent with those of SCAG.

**FIGURE 2-2**

Projected Employment Growth in the Four-County Area

Figure 2-3 shows historical (1993)² and projected employment in key sectors. These sectors are represented by Standard Industrial Classification (SIC) codes. Employment in the manufacturing sector (SIC 20-39) is projected to decrease at an annual rate of 0.17 percent between 1993 and 2010. The change in the share of manufacturing jobs can be seen in Figure 2-4, discussed below. Employment in the service sector (SIC 70-89) is expected to grow by 3.4 percent per year over the entire period (1993-2010).

The service sector and the retail and wholesale trade sector (SIC 50-59) combined constituted over 55 percent of the region's employment in 1993. The four counties' economy, which is composed of a large non-manufacturing sector and a much smaller manufacturing sector, is becoming more service-based. As shown in Figure 2-3, the service sector is projected to increase its share of the region's employment from 33 percent in 1993 to 43 percent in 2010. The share of employment in retail and wholesale trade is expected to decrease slightly, from 22 percent to 20 percent over the 1993-2010 period. The government sector's (SIC 91-97) share of employment is projected to decline from 12 percent in 1993 to 11 percent in 2010. The manufacturing, transportation (SIC 41-47), and utilities (SIC 49) sectors' share of employment is projected to decline from its 18-percent share in 1993, to a 13-percent share in 2010. The 9-percent share of employment of the finance, insurance, and real estate sector (SIC 60-67) in 1993 is expected to decrease slightly to 8 percent in 2010.

² 1993 is the last year for which historical data are available from the U.S. Bureau of Economic Analysis. Hence, projections are made from this, the most recent available data, rather than from a subsequent year's projected data.

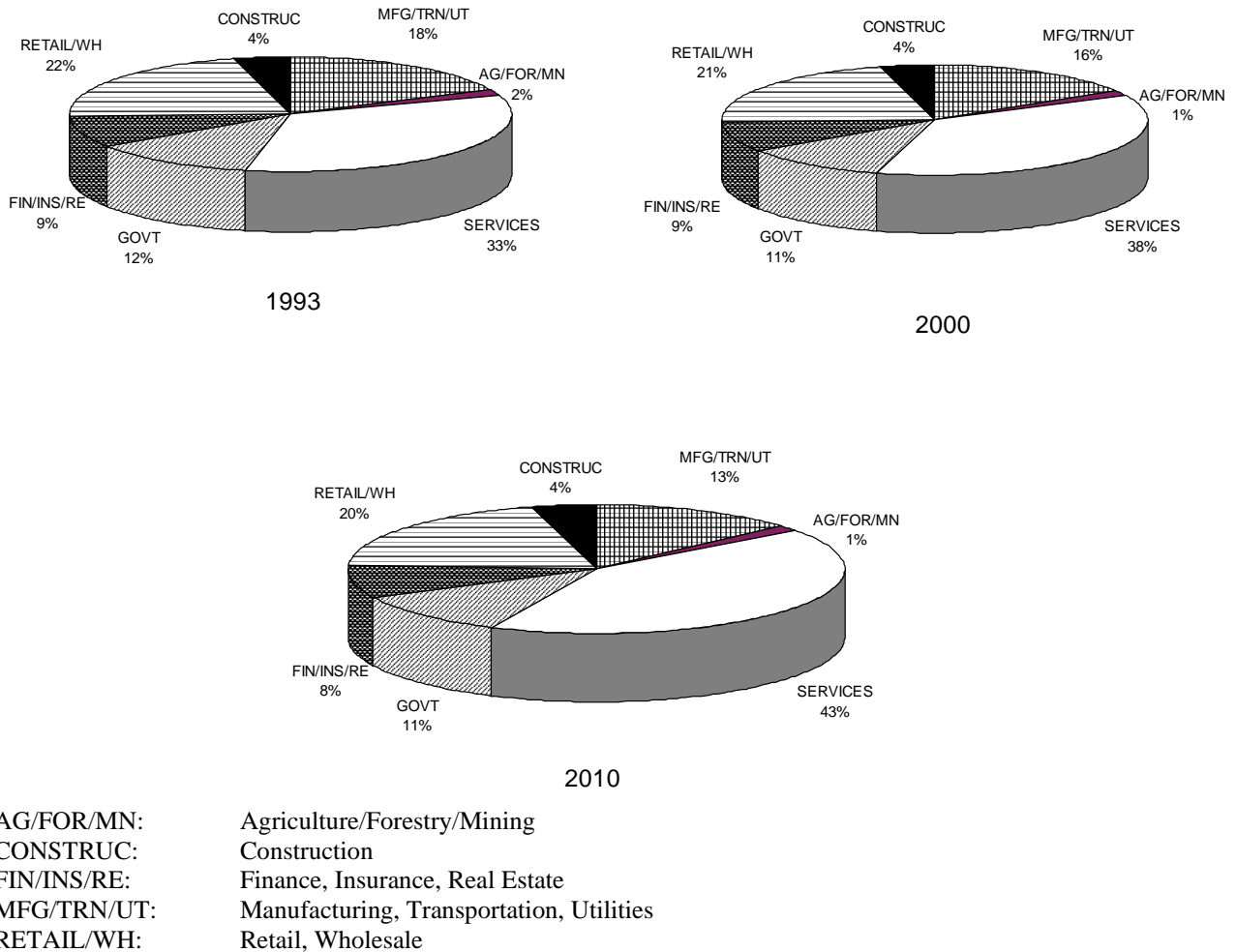


FIGURE 2-3

Projected Employment by Sector in the Four-County Economy

The four-county Gross Regional Product (GRP) is projected to increase from its 1993 level of \$290.1 billion (in 1987 dollars) to \$446.8 billion in 2010, which represents a 2.57-percent annual growth rate.

Historical Patterns

The four-county area has recently been recovering from its worst recession since the Great Depression. An estimated 444,200 jobs were lost between 1990 and 1993, a 7.3-percent drop (EDD, 1996). In contrast to Los Angeles and Orange counties, the Riverside and San Bernardino area experienced job growth throughout the recession (EDD, 1996). Almost 211,000 of the jobs lost in the 1990-1993 period were in the manufacturing sector (EDD, 1996). At the same time,

the region suffered much more from the cutback in defense spending than did the rest of the nation. From 1990 to 1995, the region lost 47.6 percent of its aircraft, space, and defense sector jobs--a decline from 273,200 jobs to 143,100 jobs. Other sectors showing strong declines during the recession were real estate, construction, and retail sales.

Since 1993, several sectors have experienced job gains, including the apparel and textile manufacturing sector, the motion picture and amusement sector, the retail sector, and the services sector (hotels, and personal and business services). As evidence of the recovery, between 1994 and 1995, employment in the four-county area grew by over 1.9 percent (EDD, 1996). The Riverside and San Bernardino area had the highest growth rate in the region--3.3 percent, followed by Orange County at 1.9 percent, and Los Angeles County at 1.6 percent. The manufacturing and retail trade sectors had the greatest rate of employment growth in the Riverside and San Bernardino area (CSUF IEES, 1996).

Decline in the Manufacturing Sector

The importance of the manufacturing sector is declining in the region's economy, as reflected by the decreasing share of manufacturing jobs to total jobs since 1985 (see Figure 2-4). Although this particular decline mirrors a national trend, the four-county area's share of manufacturing jobs relative to the area's total jobs has been greater than the nation as a whole.

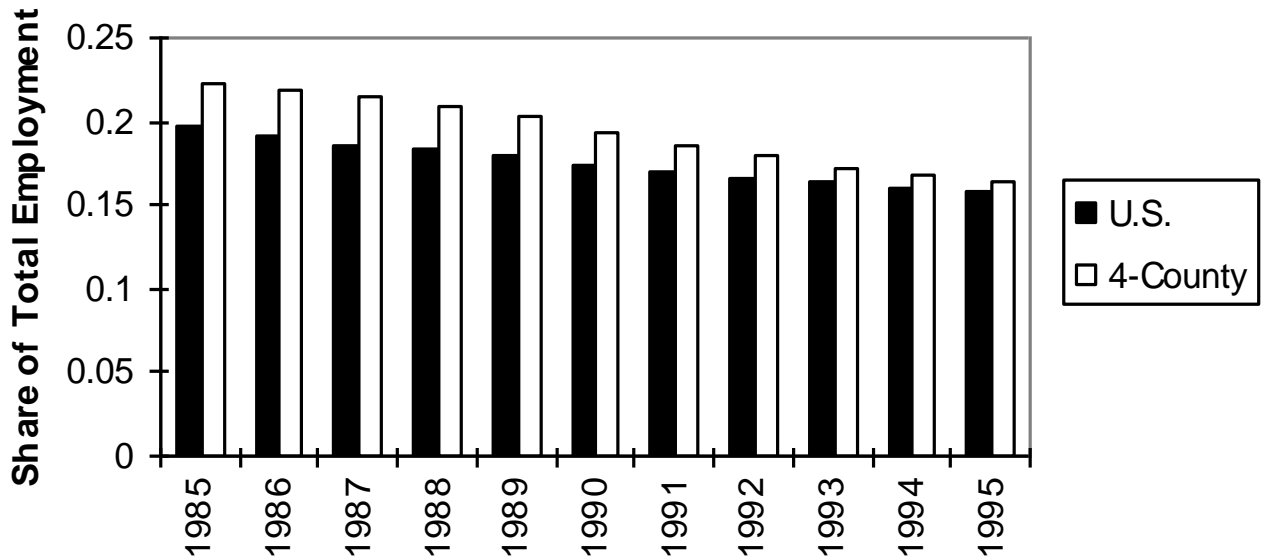


FIGURE 2-4

Historical Ratio of Manufacturing to Total Employment

Ethnic Distribution of the Workforce

Data from the 1990 Census also provides an insight into the ethnic composition of the workforce by major industries and by occupational categories. Table 2-1 shows the workforce's ethnic composition in the four-county area in 1990 for 11 major economic sectors. Knowing the ethnic makeup of the workforce in various industries is important in assessing the potential impact of the draft 1997 AQMP on ethnic groups. Sectors with the highest proportion of Whites were mining; finance, insurance, and real estate; and services. African Americans were represented more frequently in the government; transportation, communications, and utilities; and service sectors. The sectors where Asians and Pacific Islanders were represented in the highest proportions were finance, insurance, and real estate; and wholesale and retail trade. Hispanics were found in the highest proportions among the agricultural, nondurable goods manufacturing, and construction sectors.

TABLE 2-1
Ethnic Composition of the Four-County Workforce
by Major Sector

Industry	Percentage					Employment (in thousands)
	White	African American	Asian	Hispanic	Other	
Agriculture	30.6	2.5	6.3	60.3	0.4	106
Mining	66.8	7.2	3.6	21.6	0.9	10
Construction	56.5	3.5	4.2	35.2	0.7	432
Nondurable Manufacturing	37.2	4.0	9.1	49.2	0.5	413
Durable Manufacturing	49.5	5.4	9.4	35.1	0.6	854
Transportation & Public Utilities	54.1	12.7	8.2	24.0	0.9	426
Wholesale Trade	55.5	4.3	10.9	28.7	0.6	320
Retail Trade	51.0	5.0	10.8	32.6	0.6	1017
Finance, Insur., Real Est.	65.6	7.1	11.0	15.9	0.5	508
Services	58.2	8.3	9.4	23.5	0.6	2118
Government	56.4	16.0	7.8	19.0	0.8	210
Total	54.1	6.9	9.3	29.1	0.6	6414

Geographic Variation

Based on the construct of census tracts with the consideration of topographical features and city boundaries, the South Coast Air Basin (Basin) were divided into eighteen areas. The counties of Riverside and San Bernardino were divided into two sections each: the more urbanized western portions and the more sparsely populated eastern areas. Los Angeles County was divided into ten areas and Orange County was divided into four areas. Figure 2-5 shows the ethnic distribution of population in each of these areas, respectively.

The eighteen areas showed considerable variation as measured by several socioeconomic indices (Table 2-2). The relative presence of minorities in each area ranged from a low of 20.9 percent in the southern part of Orange County to 96.7 percent in the south central area of Los Angeles County. There were also substantial economic variations in terms of poverty rates.

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TABLE 2-2
Socioeconomic Characteristics of County Sub-areas

Subarea	Population (in thousands)	Percent			
		Minority	Poverty ¹	Youth ²	Elderly ³
LA CO Burbank	541	38.9	11.7	22.2	12.9
LA CO San Fernando	1,107	46.7	11.3	24.6	9.6
LA CO West	792	28.2	8.8	15.1	13.9
LA CO Central	1,212	79.0	23.2	25.5	9.4
LA CO South Central	950	96.7	29.0	33.5	7.6
LA CO South	797	53.7	13.9	26.1	10.1
LA CO East	1,473	61.4	11.4	28.2	9.2
LA CO Southeast	1,068	70.4	13.6	30.7	8.6
LA CO Beach	526	40.0	7.4	21.1	9.7
LA CO North	163	24.2	3.8	27.2	5.5
ORANGE CO North	352	31.1	6.7	25.0	8.3
ORANGE CO Central	869	54.8	12.8	27.4	7.6
ORANGE CO South	587	20.9	4.7	23.5	10.4
ORANGE CO West	602	23.9	6.3	20.6	10.4
Northwest Riverside CO	553	38.7	9.7	31.1	7.0
Other Riverside CO	328	23.4	10.1	26.7	19.8
Chino-Redlands	1,050	44.7	12.3	31.4	7.8
Other San Bernardino CO	45	10.5	7.7	26.9	12.5
South Coast Air Basin	13,015	49.9	13.1	26.4	9.6

¹Poverty levels vary by family size. For a family of four, the federal government defines poverty as any family with an annual income of \$12,674 or less.

²Youth = 18 years old or younger

³Elderly = 65 years old or above