

# WHITE PAPER: Squeezing Orange County's Middle Class

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University of California, Irvine  
John R. Hipp\*

\*Department of Criminology, Law and Society and Department of Sociology, University of California, Irvine. Address correspondence to John R. Hipp, Department of Criminology, Law and Society, University of California, Irvine, 2367 Social Ecology II, Irvine, CA 92697; email: [john.hipp@uci.edu](mailto:john.hipp@uci.edu).

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## Executive Summary

Exploring data over a thirty year period, this study documents the demographic and economic changes in Orange County over that period. Orange County has grown dramatically since its days as a basin for the Valencia Orange—both in population and geography. The bulk of the growth has taken place since the beginning of 1970, with the population more than doubling in size.

Many people came here to buy a home and find a good-paying job—in short—to realize the American Dream. However, over the past 35 years, that realization has become much less attainable due to policies that have shaped Orange County into an hourglass economy.

- Most housing is no longer affordable to low- and middle-income families. The cost of housing in Orange County remains among the highest in the nation.
- Orange County's population continues to increase, but affordable jobs are becoming harder to find. The jobs with the most openings are low-skilled and low-paying.

Orange County is now facing a harsh reality that its policies must be responsive to the needs of the people that are living and working in the County. The following paper provides an overview of how the current workforce is faring along with the housing markets in Orange County's major cities. It is important that all sectors- business, government and community- recognize that they each have an important role to play in the county's changing economy.

## PART 1: Introduction

As this paper demonstrates, the Orange County numbers are staggering. The population has experienced a 20-fold increase in 60 years. Home values are among the highest in the nation, as the median home value in Orange County has remained among the top 1% of U.S. counties since 1970. It is a land of plenty, as the median real household income in Orange County is about 50% higher than the average U.S. County. At least one component of the work force is very well trained, as nearly 1/3 of the county residents have at least a bachelor's degree, nearly double the rate of the average U.S. County.

Nonetheless, despite all these positive features, there appear to be cracks in the façade that suggest perhaps this paradise may be a mirage, or perhaps even lost. There are signs of growing inequality in the county. This inequality is accompanied by evidence of a bifurcating labor force in which the middle-class blue-collar worker appears to be an endangered species. There is evidence that real income levels have not kept pace with the appreciation in real costs of homes and rents, resulting in a more challenging cost of living environment.

We focus here on two broad areas of inequality: 1) mapping the state of the economy and 2) detailing the cost of living and the cost of housing in the county. After the discussions of the current situations, the final section of this paper provides insights into the policy implications for Orange County communities.

Major trends can be detected in the county over this period:

1) the County has seen a general increase in economic inequality, as the percentage in poverty has increased, the cost of living has worsened as the median income relative to the rest of the U.S. has held flat while rents and home values have increased considerably relative to the rest of the U.S.

2) a changing educational composition of the workforce; an increasing percentage with a bachelor's degree accompanied by a constant percentage with less than a high school degree, and as a consequence the percentage with a high school degree that have not gone on to college—the middle-class blue collar segment—is shrinking.

We examine the economy and inequality in Orange County as it relates to jobs and the wages that are being produced in Orange County's regional economy. Next we examine housing affordability, the impact of growth on quality of life in the OC. Lastly, we review policy approaches that can generate more sustainable growth for Orange County's future.

## PART 2: Income and Economic Inequity

### **Poverty**

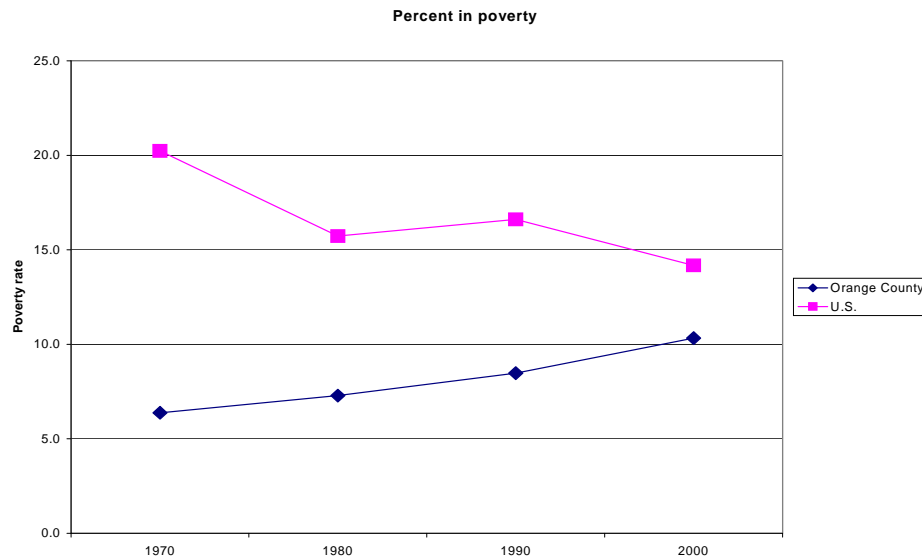
Although Orange County has experienced a considerable racial/ethnic transition over the last thirty years, the county remains relatively advantaged economically. Nonetheless, there is evidence that this economic dynamism is showing some cracks and changing over time. That is, the degree to which all in the county share in this economic advantage is diminishing. For instance, those occupying the lowest economic position—those classified as being below the federally identified poverty level for households—have grown proportionately in Orange County over the last thirty years. Whereas only 6% of Orange County households were listed as being below the poverty level in 1970 (compared to over 20% in the average U.S. county), the steady downward trajectory for poverty rates in U.S. counties is mirrored by a steady upward trajectory in Orange County. By 2000, over 10% of Orange County households were classified as being below the poverty level (compared to 14% in the average U.S. county). In 2006, this value was 9.7%. Although Orange County is still below the U.S. average in poverty, the steady worsening suggests a need to sound an alarm.

Of course, the poverty rate is based on a particular level of income for all U.S. counties, and does not explicitly take into account the cost of living of the local area. For instance, in the second quarter of 2006 the cost of living in Orange County was 53.2% higher than the average U.S. metropolitan region.<sup>1</sup> The federal poverty level (FPL) is set nationally according to family size (in 2007: \$10,787 for a single adult under 65 years and \$21,027 for a family of four with two children). Given the cost of living, the official measure significantly undercounts the region's poor. A more accurate measure based on recommendations of the National Academy of Sciences is about 200% of the Federal poverty threshold. A total of 737,344 individuals (24.9%) in Orange County, or 1 in 4 people, were economically disadvantaged by this measure in 2008.

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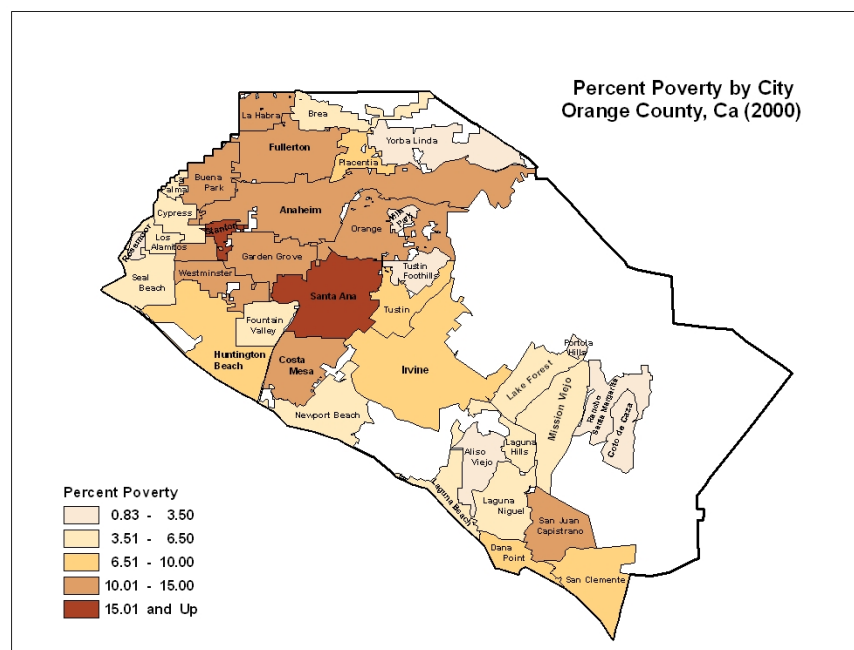
<sup>1</sup> This information comes from the ACCRA/Council for Economic Research ([www.accra.org](http://www.accra.org)). This is a weighted index that takes into account the prices in the following categories (with weights): housing (29%), transportation (10%), health care costs (4%), groceries (14%), utilities (10%), miscellaneous items (33%). This index was computed for 300 metropolitan areas.

**Figure 2.1 Percent in poverty in Orange County and the U.S. from 1970 to 2000**



The level of poverty is not distributed uniformly across the county. Figure 2.2 illustrates that the coastal cities and the southern cities tend to have a lower rate of poverty. In contrast, it is the northern cities that have the highest level of poverty: for instance, in 2000 Santa Ana had a poverty rate of nearly 20%, whereas Stanton (18%) and Anaheim (14.1%) and Garden Grove (13.9%) were not far behind. In contrast, Mission Viejo has a poverty rate less than 4%.

**Figure 2.2 Percent in poverty by city, 2000**



We now turn our attention from the individual level to the broader economy of Orange County. We ask how households are doing economically over this time period on average, and we also ask whether differences are observed for those at different ends of the economic spectrum. Specifically, we focus on the growth in inequality over this time period in the county. We describe how this inequality is geographically disbursed throughout the county. Although the levels of unemployment in the county have traditionally been relatively low, we show how these are growing in recent years, as well as how this unemployment is not spread evenly across the geographic landscape of the county.

We also point out that while part of the labor force in Orange County is highly educated, there is evidence of an increasingly bimodal distribution in which there is also relative growth in those with the *lowest* levels of education. This portends a challenge to the economy of the county to maintain quality blue collar jobs. The loss of such jobs would likely only exacerbate the already growing inequality.

There are negative consequences of growth in low-wage industries and the tools we have at our disposal to foster positive economic development. The high cost of living is in contrast to the low-wage service sector economy that has emerged. This chapter tracks the trends in Orange County, dating back to 1970, that have shaped our current economy. We will examine the kinds of jobs that have been created in the midst of Orange County's phenomenal growth, as well as assess the impact of job quality on the long-term sustainability of our regional economy.

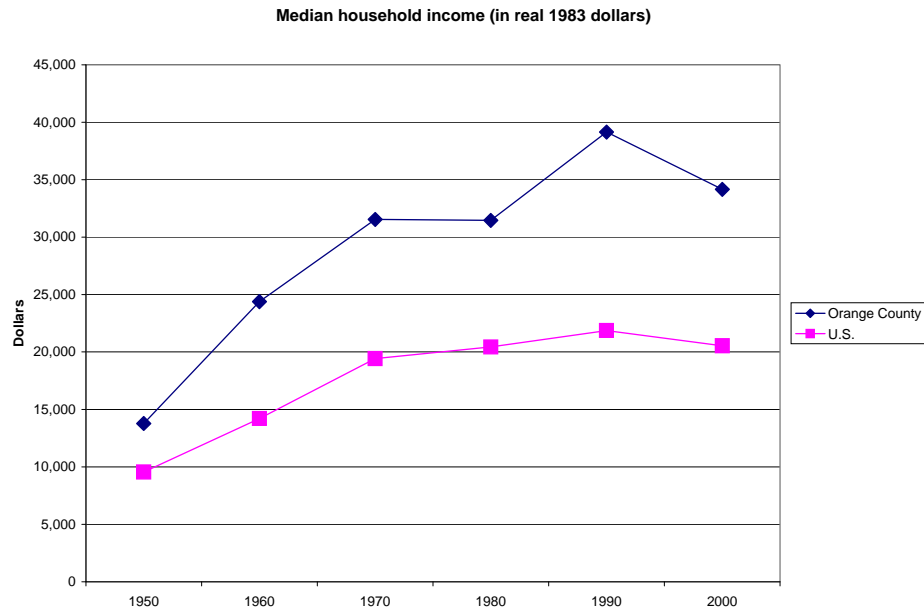
### **Income and inequality**

Above, we saw that those at the lowest level of the income distribution are doing worse in Orange County over the last 30 years. However, how are those at the middle of the income distribution doing? To take into account the effects of inflation over this time period, we adjust these values to a constant based on 1983 dollars.<sup>2</sup> This graph in Figure 2.3 shows that those at the middle in the income distribution in Orange County are consistently better off than those at the middle of the income distribution in the average U.S. county. In 1960 the median household income in Orange County was about 70% higher than in an average U.S. county. This relative prosperity continued over the following two decades and the 1980's were a particularly economically dynamic period for the county as the median income shot up to almost 80% higher than the average U.S. county by 1990. However, this advantage diminished during the 1990's as the county suffered its first decline in real median family income during this particular decade. The real income of the median family declined 12.7% during the 1990's, and has only increased modestly during the early part of the millenium.

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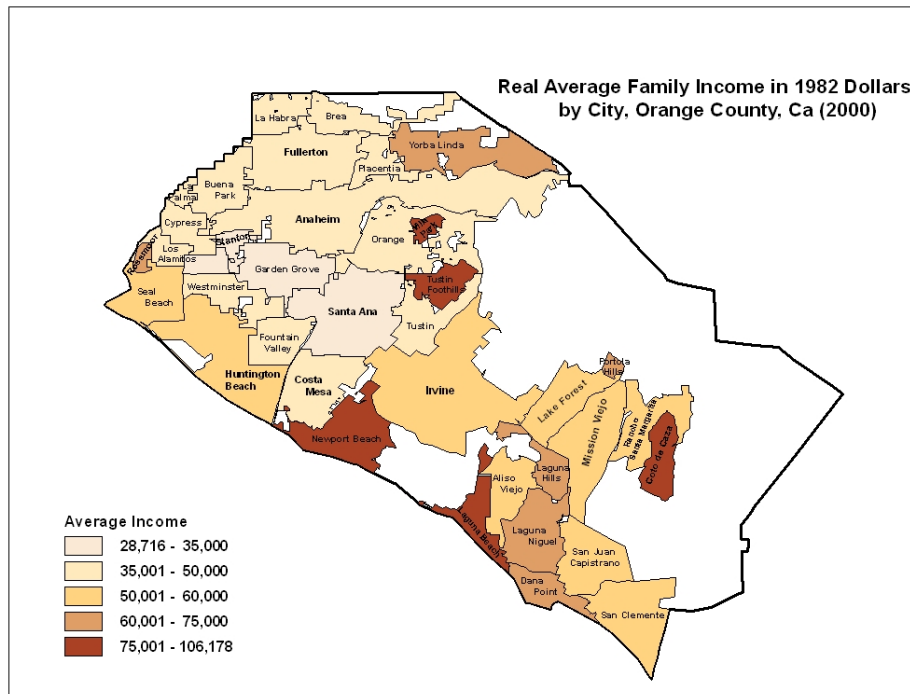
<sup>2</sup> We used the consumer price index for these calculations.

**Figure 2.3 Median household income (in real 1983 dollars) in Orange County and the U.S. from 1970 to 2000**



Focusing on the relative income in the cities of Orange County, the lowest average incomes are in the central part of the county, as seen in Figure 2.4. Stanton and Santa Ana had an average family income of about \$50,000 in 2000, whereas cities such as Buena Park, Garden Grove, Westminster, and Anaheim had average incomes around \$60,000. In contrast, wealthy enclaves such as Coto de Caza, Villa Park, and Newport Beach had average incomes about \$170,000. Likewise, the central part of the county has shown the slowest growth in average income over the 1970-2000 period.

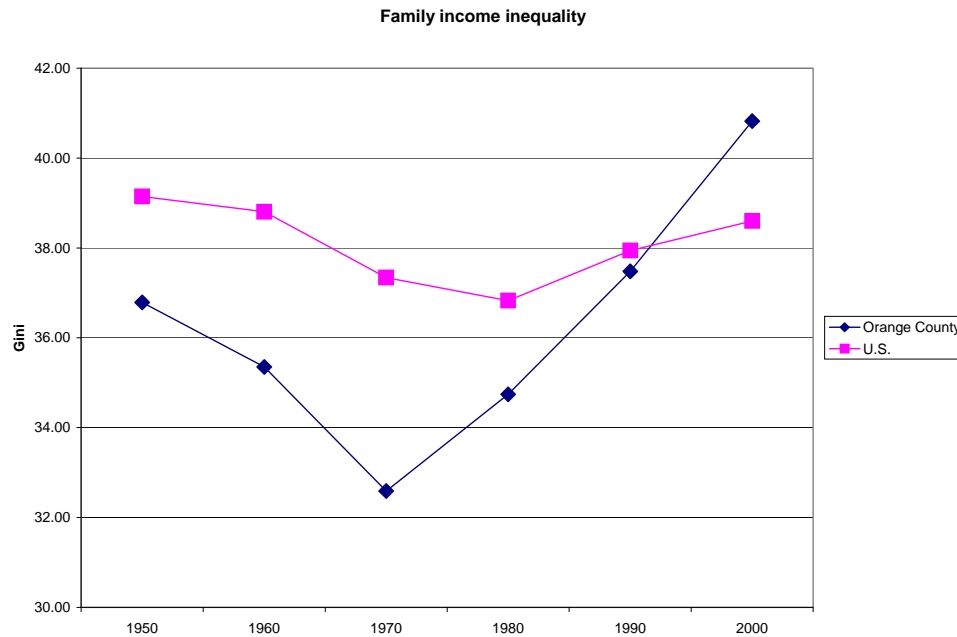
**Figure 2.4 Real average family income in 1982 dollars by city, 2000**



Another important part of the economic picture of Orange County over this time period is the growth in income inequality. This inequality would be enhanced if the proportion of income going to those in the highest brackets has been increasing. We explored this possibility by constructing a Gini coefficient of the income distribution in each of decades since 1970 (the Gini is a commonly used measure of the degree of inequality in an income distribution). The results can be seen in Figure 2.5, and highlight that whereas the level of inequality in the County was considerably less than that of the average U.S. County in 1970, this has since been steadily increasing. The steady increase in inequality was such that by 1990 the level of inequality in Orange County had essentially matched that of the average U.S. County. However, whereas inequality increased for all Counties during the 1990's, the increase was particularly dramatic in Orange County. As a consequence, by 2000 the level of inequality in Orange County had reversed from being well below average in 1970 to being above the average in 2000. The level of inequality has increased further in 2006.

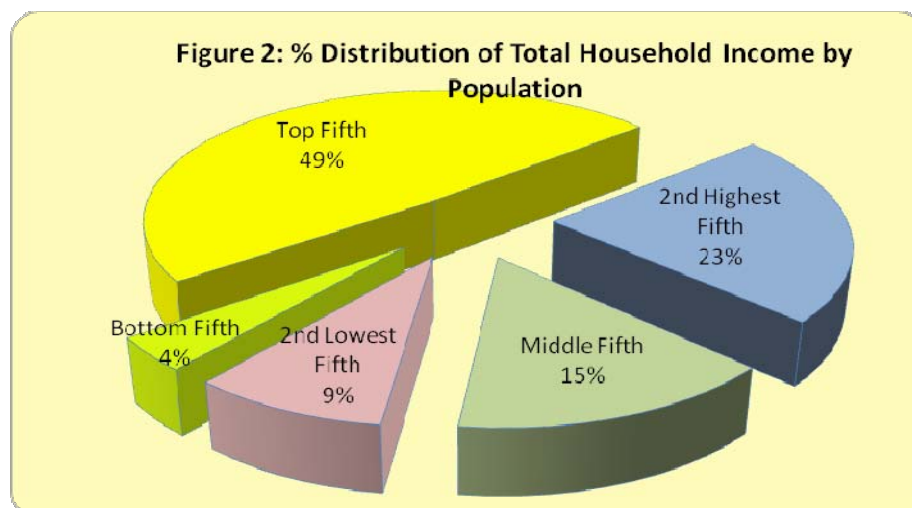


**Figure 2.5 Family income inequality (Gini coefficient) in Orange County and the U.S. from 1970 to 2000**



To give a more intuitive sense of these inequality numbers, we utilized data from the American Community Survey in 2008 to compute the share of household income going to different households in the county. We see in Figure 2.6 that the top 20% of households in Orange County accounted for almost half of the total income in 2008. It is notable that whereas there is relatively high income inequality in the wealthy coastal cities of Newport Beach and Laguna Beach, Anaheim and Fullerton also have very high levels of inequality. Thus, not only does Anaheim have a relatively low average income, but it is also characterized by relatively high levels of inequality.

**Figure 2.6 Share of the Pie: Distribution of Aggregate Income by Quintile**



## Labor market characteristics

We next turn to the question of the characteristics of the labor pool in Orange County over this period. The level of unemployment in the County has generally fluctuated considerably, but shows little systematic pattern.

**Figure 2.7 Unemployment rate in Orange County and the U.S. from 1970 to 2000**



Continuing the pattern observed throughout this report, the highest levels of unemployment occur in the central cities of the county. Santa Ana and Stanton had the highest unemployment rates in 2000—about 8%—whereas Garden Grove (7%) and Anaheim (6.2%) are nearly as bad. In contrast, the wealthiest cities have unemployment rates below 3%. In viewing the change in these unemployment rates over time, in general the same cities have worsened over time. One exception is Irvine, which increased from a very low 3% rate to 5.1%.

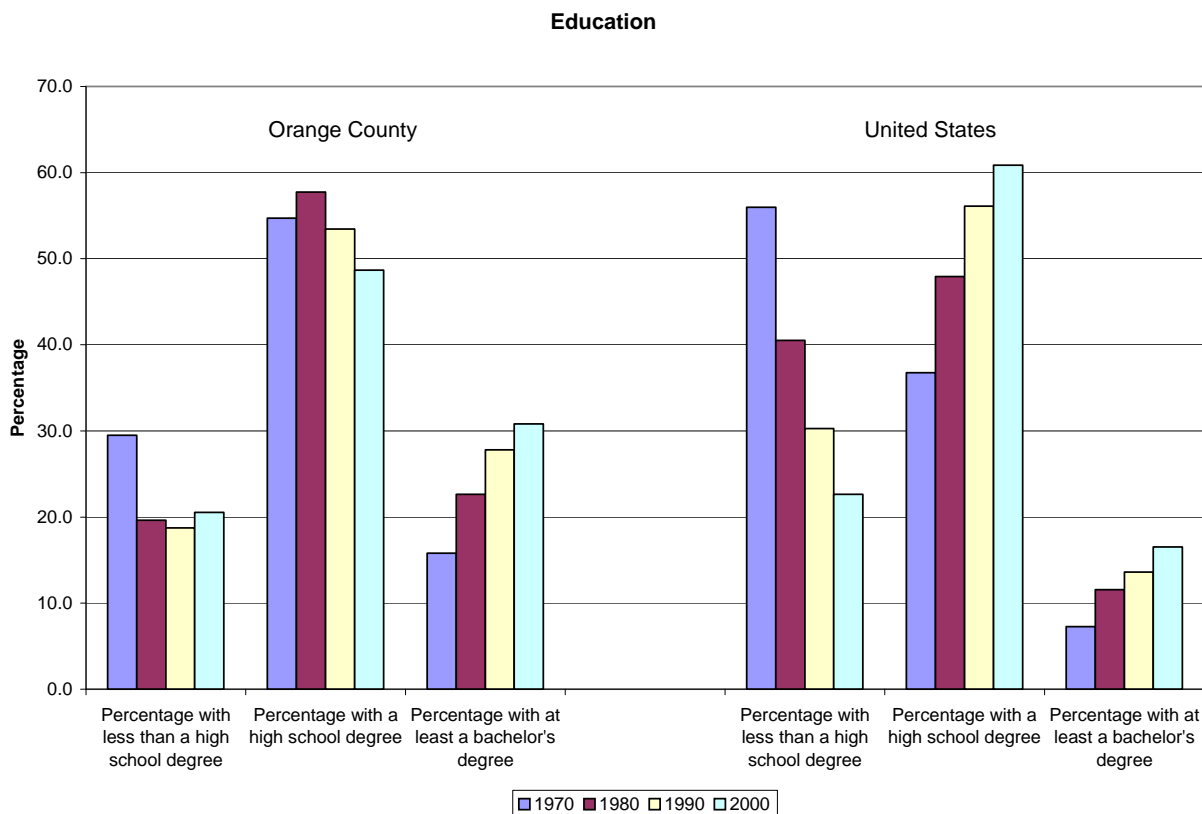
Orange County has generally had a very well educated work force. However, there are recent signs that there may be a change in that characteristic, suggesting a possible bifurcated labor force. Since 1970, the percentage of the population with at least a bachelor's degree has steadily grown in Orange County as well as all U.S. counties. However, a positive sign for Orange County is that its growth is even steeper than the rest of the U.S. Nearly 1/3 of the county residents had at least a bachelor's degree by 2000, nearly double the rate of the average U.S. county.

However, whereas the average county in the U.S. has seen a steady growth in the percentage of residents with a high school degree (the usual blue collar middle class) along with a steady

decline in the percentage of residents without at least a high school degree, the pattern is different in Orange County. In Orange County, those with little education (the percentage without at least a high school degree) dropped during the 1970's, but have remained relatively flat since 1980. As a consequence, whereas the percentage with a low level of education was traditionally much lower in Orange County compared to other counties in the U.S. (almost half the level in 1970) by 2000 the percentage was approaching that of an average U.S. county.

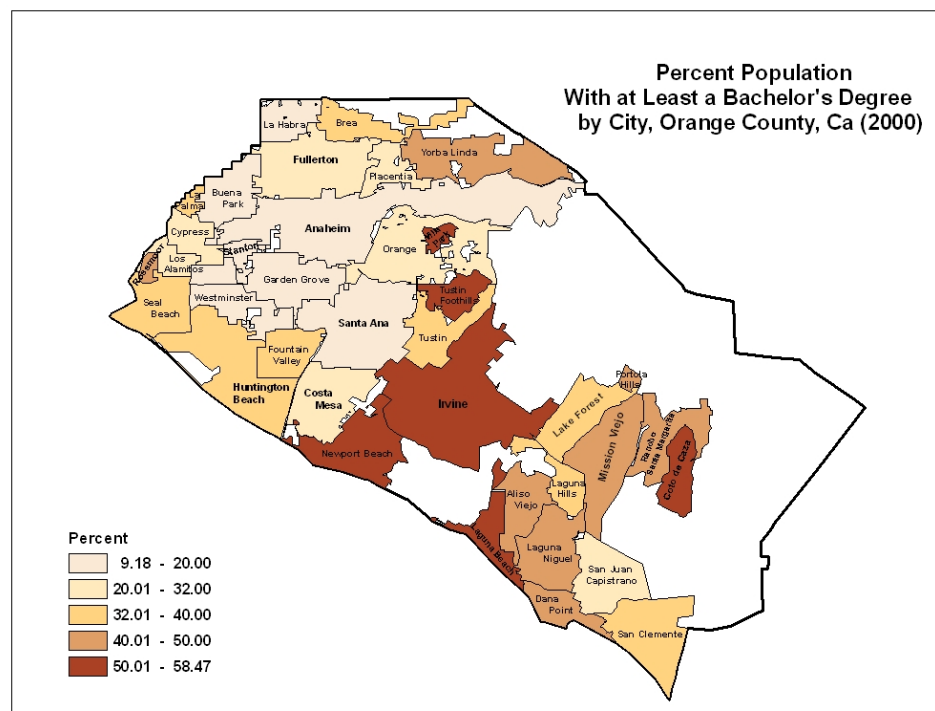
Equally alarming, whereas Orange County had far more persons with a high school degree (the stereotypical blue collar middle class) than an average U.S. county in 1970 (55% vs. 37%) since 1980 this group has shrunk as a proportion of the Orange County population. As a consequence, by 2000 less than 50% of the Orange County population fell into this category, whereas the average U.S. County had over 60% of their population in this middle class category. What effect this shrinking blue collar middle-class will have on Orange County remains to be seen, but poses a possible challenge to the continuing economic vibrancy of the county. We see evidence here suggesting the possible growth of a bifurcated labor market in Orange County.

**Figure 2.8 Educational achievement distribution in Orange County and the U.S. from 1970 to 2000**



In viewing the distribution of the highly educated residents of the county, we see the distinctive pattern in which the central part of the county contains the lowest proportion of residents with at least a bachelor's degree. As shown in Figure 2.8, about 10% of the residents of Santa Ana or Stanton have a college degree, and less than 20% of the residents of Anaheim, Buena Park, Garden Grove, or Westminster do so. In contrast, about 58% of the residents of Newport Beach and Irvine have a college degree.

**Figure 2.9 Percent with at least a bachelor's degree by city, 2000**



## Working Poverty

The steady abundance of people in poverty can be attributed to job creation. As a consequence, 44.7% of adults living under the federal poverty level are working full or part-time in 2008. The industries with the most job openings in the County provide low-wage jobs, as 20% of all workers over the age of 16 earn below \$25,000/year. Table 2.1 provides estimates and projections of job openings in the most popular occupations over a ten-year period.

**Table 2.1 Occupations with the most job openings, 2004 – 2014, Orange County**

| Occupational Title  | Number of Openings | Median Wage per Hour |
|---|--------------------|----------------------|
| Retail Salesperson  | 30,350             | \$9.89               |
| Cashier   | 19,730             | \$8.66               |
| Waiter & Waitress   | 19,490             | \$8.01               |
| Combined Food Preparation and Serving Worker, Including Fast Food | 13,810             | \$8.17               |
| Office Clerk, General   | 12,180             | \$12.71              |
| Laborer & Freight, Stock, and Material Mover, Hand                | 11,320             | \$9.38               |
| Customer Service Representative                                   | 11,030             | \$15.06              |
| Landscaping and Groundskeeping Worker                             | 10,300             | \$9.15               |
| Janitor and Cleaner (Except Maid and Housekeeping)                | 9,660              | \$8.99               |
| General and Operations Manager                                    | 9,490              | \$48.67              |

Source: California Employment Development Department, 2008

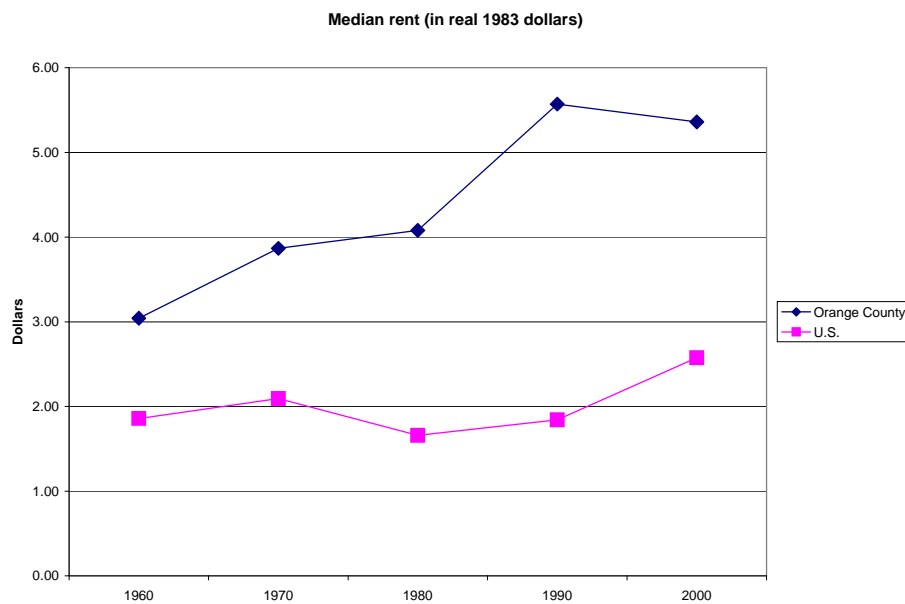
To put these numbers into perspective, according to the California Budget Project, the average income for a household to be self-sufficient in Orange County is \$14.55/hour for a single adult with no children, \$17.48/hour for a two-parent family with two children in which both parents work, \$24.47/hour for a two-parent family with two children in which only one parent works, and \$28.79/hour for a single adult with two children.

### PART 3: Housing and the cost of living

There are consequences to the growing inequality among the residents and the workforce in the county that we described in the last chapter. This inequality has been accompanied by an increasing cost of living in the county—based on the ratio of home values and rents to incomes—which results in housing challenges for those at the lower level of the income distribution. While new residents have flocked to the region over the past several decades to soak up the sun and enjoy the beauty of the mountains, ocean, and beautiful year round weather, the cost of living has remained amongst the highest in the nation.

While the middle of the income distribution in Orange County appears quite well off when we simply focus on level of income, it is still the case that living in Orange County is much more expensive than other areas of the country. Given that the cost of living in Orange County is about 50% higher than in an average U.S. county, one's higher income does not go as far in Orange County. And this cost of living—at least as far as housing is concerned—has only worsened over the last thirty years. For instance, we can view the median rent in Orange County over this thirty-year period (again, placed into constant 1983 dollars). While median rents in the average U.S. county remained relatively flat from 1960 to 1990 (with an uptick during the 1990's), median rents in Orange County have shown a consistent upward trajectory over the last 40 years.

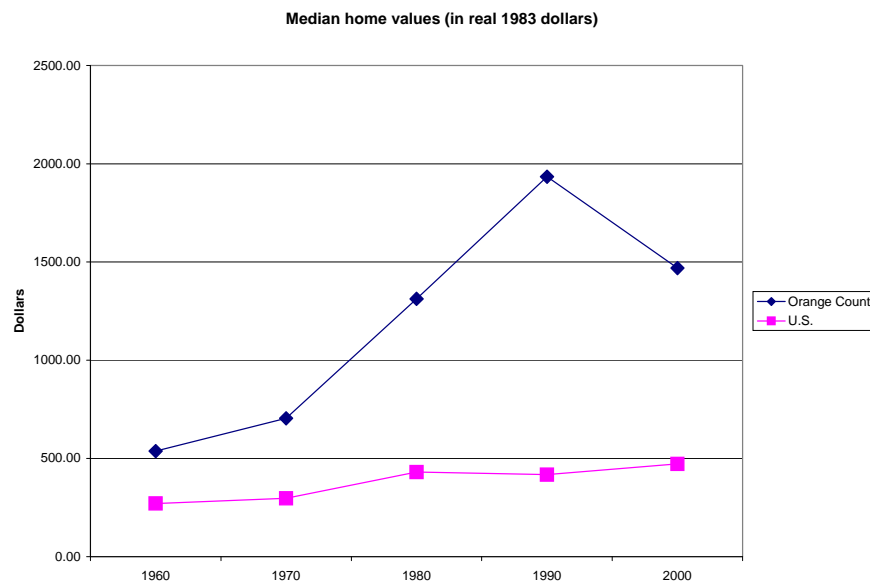
**Figure 3.1 Median rent (in real 1983 dollars) in Orange County and the U.S. from 1970 to 2000**



The hourly wage needed to afford a 2-bedroom apartment in Orange County in 2008 is \$30.67/hour (National Low Income Housing Coalition). As noted in the previous chapter, 9 out of the 10 jobs with the most job openings pay significantly less than that. This imbalance has a potential to create overcrowded housing conditions, as families couple together to split rental costs, and several health risks as the propensity for homelessness is increased with such a gap between the cost of living and the jobs provided.

Likewise, home values in Orange County are quite expensive relative to the rest of the U.S., and have considerably increased over this time period. Since 1970, the median home value in Orange County has remained in the top 1% of U.S. counties. The county has consistently ranked among the highest in median home values of all U.S. counties: in 1960 they were 51<sup>st</sup>, in 1970 they were 31<sup>st</sup>, in 1980 they were 8<sup>th</sup>, in 1990 they were 11<sup>th</sup>, and in 2000 they were 27<sup>th</sup>. Currently, 10% of households can afford a median priced home (California Association of Realtors, 2007).

**Figure 3.2 Median home value (in real 1983 dollars) in Orange County and the U.S. from 1970 to 2000**

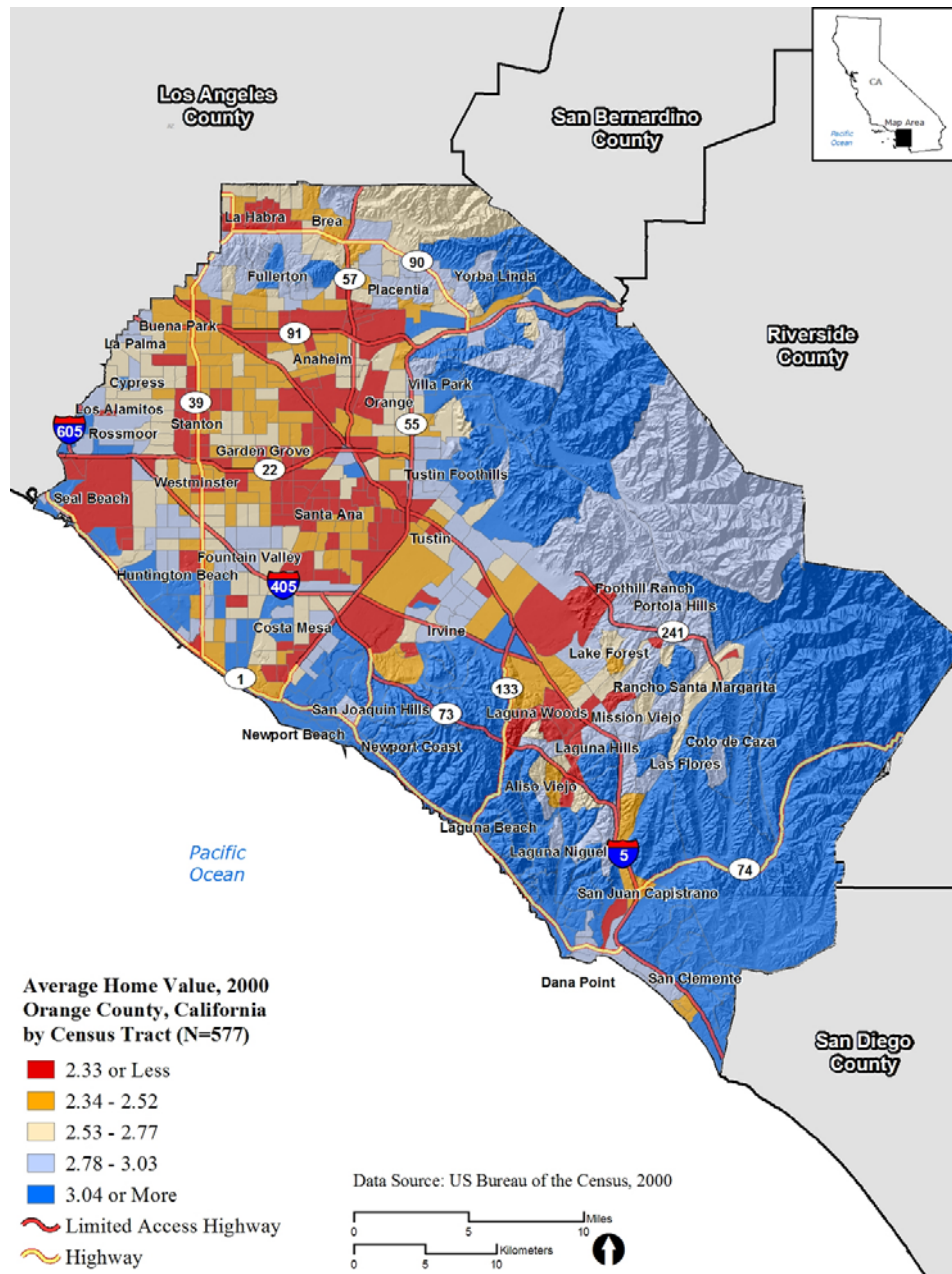


We next focus on the question of the economic viability of different neighborhoods. We address this question by plotting the average home values in the neighborhoods of Orange County.

It is notable that this map bears a striking similarity to the initial map showing the locations of white residents. The highest home values, unsurprisingly, follow the coast. In addition, the newer, more mountainous and eastern side of the county also has higher average home values. On the other hand, the central areas of Santa Ana and Anaheim have the lowest average home

values in the county. It is notable that many of the lowest home value neighborhoods tend to be located near the many freeways crisscrossing the county.

**Figure 3.3 Map of average home values in census tracts, 2000**

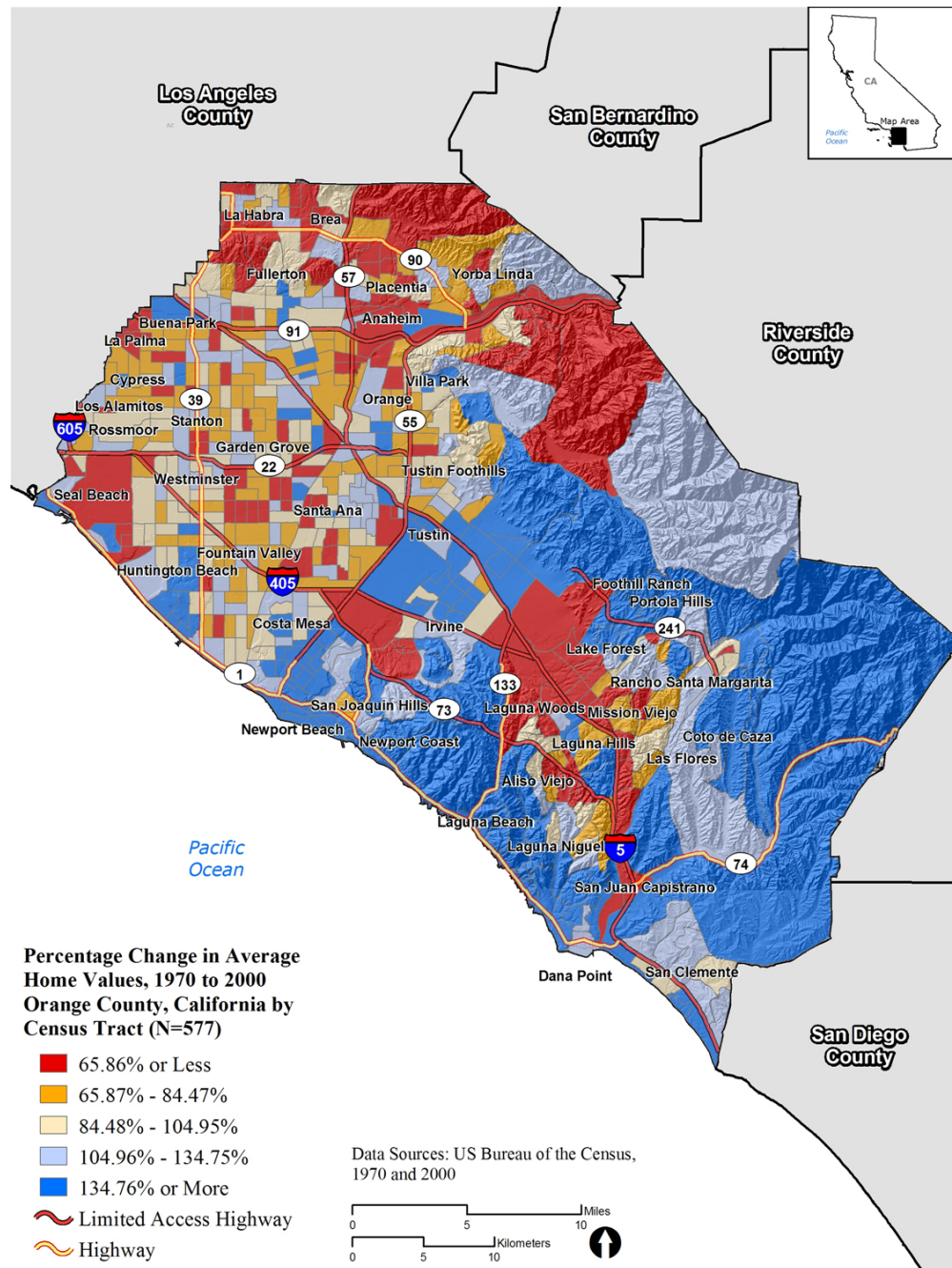


For our final map, we look at the change in average home values in the neighborhoods of Orange County over the 1970 to 2000 period. While there is again evidence that the most southern, and newest, areas have fared the best, the map is not as clearly delineated as the previous ones. We see more evidence here that certain neighborhoods scattered throughout the county have been successful in maintaining their home values. For instance, some of the



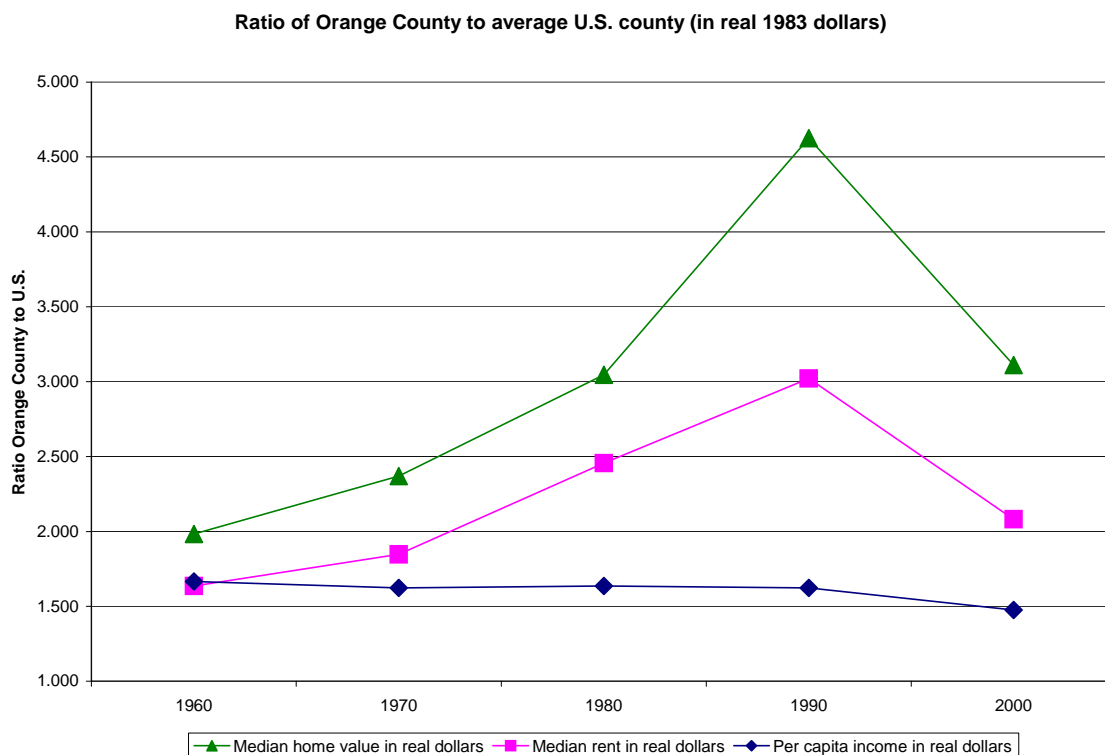
neighborhoods of Santa Ana have fared quite well, particularly those on the eastern side of the city.

**Figure 3.4 Map of change in average home values in census tracts, 1970-2000**



The previous three figures paint a consistent picture: the cost of housing in Orange County has generally outpaced the level of income. To what degree is this the case? As one way of showing this effect, we compared Orange County to the average U.S. county on each of these three measures—median household income, median rent, and median home values. The results illustrate the high cost of housing in the county. For instance, Figure 3.5 shows that the median real income in the county has remained relatively flat when compared to that of the average U.S. county over the last 40 years. From 1960 to 1990, this ratio remained right at 1.6: that is, the median real household income in Orange County was about 60% higher than in the average U.S. county. During the 1990's this actually dipped below 1.5. During this same period the relative cost of housing has increased dramatically. Note that in 1960, both the median household income and the median rent in Orange County were about 60% higher than in the average U.S. county. However, from that point there has been a considerable divergence: by 1970 real median rents in Orange County were 85% higher than the average U.S. county, and they increased to about 150% higher in 1980 and 200% higher in 1990. While there was some improvement during the 1990's, it is still the case that by 2000 the median real household income in Orange County was 48% higher than the average U.S. county, but the median real rent was 108% higher. The story is even more dramatic for housing values, as even with the steep decline in values during the 1990's, housing values were still more than 200% higher in Orange County than in an average U.S. county.

**Figure 3.5 Ratio of Orange County to average U.S. County values for median household income, rent and home values (in real 1983 dollars) from 1970 to 2000**



#### PART 4: Policy Implications

This report has documented the dramatic demographic and economic changes in Orange County, its cities, and its neighborhoods, over the last thirty years. Our overview of the recent history of Orange County has revealed a broad pattern.

First, both income inequality and the cost of living appear to be rising. The percent in poverty has consistently risen since 1970, and the overall inequality has also risen over that same period. And while the median income has risen, the cost of rent and housing has increased at an even greater rate. One consequence of this is an additional economic burden on the middle and lower class residents of the county. This inequality is accompanied by a growing bifurcation of the workforce based on educational levels. This is a particularly insidious threat to the economic health of the county, as the shrinking proportion of the population with a high school degree is yet a warning indicator of the economic vibrancy of the county. To the extent that the county continues to experience a relatively increasing proportion of those without a high school degree, there may well be an exodus of the type of blue collar jobs that provide a reasonable living wage.

New data reviewed in this report suggests that Orange County's economic growth is concentrated in low-wage industries that fail to provide family-supporting wages and benefits. Families of workers in these industries face multiple hurdles to self-sufficiency. On the one hand, wages are insufficient to meet rising housing costs. Orange County is approaching a crisis of housing affordability for working families. On the other hand, many employers in typically low-wage industries fail to provide health insurance for their workers. Low-wage workers and their families must choose to go without health care, pay exorbitant premiums out of their own paychecks, or rely on public programs. The costs to the taxpaying public are significant.

Low quality jobs incur costs for all residents, especially when workers who do not have access to health insurance rely on publicly-funded health care programs. Because health insurance has become more expensive, Orange County's children bear an undue burden. In search of cheaper housing, homebuyers have moved further out from job centers. Many employees commute from the Inland Empire, which wreaks havoc on environmental standards for Orange County.

Often discussions of development create false choices between uncontrolled growth and no growth at all. Instead, local leaders and residents have an exciting opportunity to implement development policies that generate growth to serve the community we want to build. Other communities have faced these same challenges, using local government to mold and shape economic development to deliver better returns for local residents. They focus growth in industries that tend to provide higher-quality jobs and establish minimum development standards that ensure development contributes to raising the quality of life for everyone. Orange County continues to be an alluring destination, attracting scores of new residents every year—and broadening its tax base at the same time.

These changes have policy implications that extend well into government, business and the community. These implications are outlined below.

Government Policy Options:

**1. Raise the floor:**

Government needs to set wage standards that reflect the cost of living. Living wage laws in San Diego, Los Angeles and around the nation have helped raise the wage floor for tens of thousands of underpaid service workers and should be expanded to cover more employees; Orange County needs to follow suit. The state should follow the lead of ten other states and index the minimum wage to inflation so it reflects increases in the cost of living. Nearly 45% of all individuals in poverty are *working*.

**Denver Regional Transportation District-** was recently awarded the American Public Transportation Association's 2008 Outstanding Public Transportation System Achievement Award for the third time. The RTD serves nearly 100 million passenger trips annually using a combination of buses, light rail, demand response and vanpools. For more information, see [www.rtd-denver.com](http://www.rtd-denver.com).

**2. Link public investment to good jobs:** Government officials should tie public investment in infrastructure, private development, incentives and other subsidies to the creation of good jobs. Those jobs should be made available to communities most in need. Otherwise, taxpayers must pay twice for government subsidies and the cost of low-wage, no benefit employment through expenditures for food stamps, school lunches and public health insurance. Public investment in private development should target industries that are tied to the region and that provide quality jobs or the opportunity to raise job standards.

**City of Portland Economic Stimulus Initiative—** aims to retain existing jobs and create nearly 5,000 new local jobs in infrastructure upgrades and maintenance, park creation and construction of social service facilities. For more information, see [www.portlandonline.com/mayor](http://www.portlandonline.com/mayor).

**3. Provide access to quality**

**education:** Education levels are highly correlated to economic success, and yet Santa Ana and Anaheim have staggering high school dropout rates. Of the 50 states, California ranks 34<sup>th</sup> in K through 12 education per student spending as a share of personal income in 2005-06.<sup>3</sup> The state should address the fiscal barriers to increasing education spending, and also

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<sup>3</sup> Jean Ross, "School Finance Facts: How Does California Compare?: Funding California's Public Schools." California Budget Project, October 2007.

recognize that addressing poverty is essential to ensuring educational success.

4. *Ensure economic security:* Our social safety net should enable those who are able to work to participate fully in the economy and enjoy a secure retirement. Children and those who are unable to work should be protected from economic privation. A functioning social safety net is particularly important during economic downturns, when workers lose jobs and see their hours cut.
5. *Affordable housing in the area as part of new residential development:* The cost of housing in Orange County is exorbitant, ranking among the highest in the nation. It has served as a major deterrent for attracting young professionals, as well as a burden for several working families. Developers must focus more on providing workforce housing close to downtown business centers so that professionals won't have to seek housing in the distant regions. Local governments should provide incentives for developers to provide such housing.

**Jamboree Housing Corporation-** is a nonprofit housing development company in Southern California working to develop affordable housing units in over 35 cities across the state of California. For more information, see [www.jamboreehousing.com](http://www.jamboreehousing.com).
6. *Quality public services.* As Orange County continues to be more densely populated, we must ensure that we properly fund and protect goods that everyone depends on, such as fire, police, and libraries.
7. *Good public transit.* Orange County is beginning to envision life beyond the freeway, as evidenced by the Anaheim Regional Transportation Intermodal Center (ARTIC) development that is currently being planned for in Anaheim. This development will link it to existing bus services and other mass-transit lines. Not only does public transit link job centers to housing, but it does so in a way that will be affordable to many.

**Business Policy Options:**

1. *Take the high road:* Orange County's businesses should recognize that their future is tied to the success of the region, and strive to provide good jobs and decent benefits. Fortunately, many business leaders have seen the wisdom of the high road approach, and are providing good, family-sustaining jobs. Business leaders should support policies to improve job quality, such as living wage laws and project labor agreements. Such policies make good business sense by allowing firms to compete on the basis of quality and service—rather than by lowering standards—and helping them to increase the productivity of their workforce. Likewise, developers who build mixed-income housing are tapping into an important market and ensuring that Orange County's

workforce has a place to live.

2. *Job training opportunities that help workers get better jobs.* A coalition of community partners led by the Center on Policy Initiatives in San Diego recently negotiated with JMI/Lennar, the developer of Ball Park Village, to provide job training opportunities to help workers get jobs in the construction of the project and to prepare for the new jobs that would be made available when entertainment, service and retail venues in the development open.<sup>4</sup>
3. *A first-source hiring program.* First source hiring programs provide a structure for helping local residents take advantage of newly-created jobs, keeping job centers close to housing to alleviate commuting concerns. For instance, as part of the construction of Denver's new light-rail line, a developer there signed an agreement that, among other things, pledges to hire from the communities adjacent to the development.<sup>5</sup>
4. *Better-paying jobs.* Development projects by employers should provide jobs that meet the housing-wage demands in our market. In 2003, the city of San Jose and a coalition of community partners agreed to living wages for parking attendants and future grocery or hotel workers in a large mixed-use project the city helped build.<sup>6</sup> Employers and the greater community benefit with such an arrangement; workers can afford to live near their workplace, thereby providing a steady workforce, and with more income, those workers can buy into employer-based health insurance.
5. *Affordable health insurance.* Large corporations should not rely on taxpayer-subsidies to provide health insurance. Medicaid is intended for the truly needy—not for employees of corporations that can afford to pay their share.
6. *Support smart public investment:* A healthy business climate requires a well-maintained infrastructure, a world-class education system and a health care system that works. Business leaders should take leadership in supporting smart public investment in schools, public transportation and health care—and should insist that the benefits of those programs are broadly shared.

#### Community and Labor Policy Options:

*Develop innovative policy and programs:* Labor and community organizations cannot wait for government leaders to propose policies to address the poverty and inequality that affect their neighborhoods. They need to be at the forefront of crafting new initiatives, such as the Green Jobs Program, an initiative of the Los Angeles Apollo Alliance, which aims to prepare residents

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<sup>4</sup> Center for Policy Initiatives, [www.onlinecpi.org](http://www.onlinecpi.org). Retrieved 9/14/08.

<sup>5</sup> FRESC, [www.fresc.org](http://www.fresc.org). Retrieved 9/14/08

<sup>6</sup> [www.communitybenefits.org](http://www.communitybenefits.org). Retrieved 5/14/08.

from low-income communities for careers in the green manufacturing and green building sectors.

*Organize to raise standards:* Labor unions have a responsibility to organize unorganized workers and improve and maintain standards in the industries where workers are represented. The passage of the Employee Free Choice Act at the federal level should facilitate organizing workers into unions by eliminating many of the barriers that now exist. Unions representing janitors, security officers, health care workers, hotel workers and others have shown that much can be done even in the absence of such legislation.

*Transparency in the development process.* We have an opportunity in Orange County to become a partner in the development process to ensure that growth is in the direction we want to go: sustainable jobs. However, we can only do that if the general public understands and can participate in the development process and understand how public resources are being used. The economic direction of Orange County over the next thirty years is in our hands.

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## **Appendix**

To address the question of how these cities in Orange County have changed over this time period, we utilized data from several sources. Much of the data comes from the U.S. Census.

We used data from the U.S. decennial censuses to construct our key exogenous measures. At the city level, we computed the percent of various racial/ethnic groups: white, African-American, Latino, Asian, and other races. We constructed a measure of the racial/ethnic heterogeneity in the city by using a Herfindahl index (Gibbs and Martin 1962: 670) of these same five racial/ethnic groupings, which takes the following form:

$$(1) \quad H = 1 - \sum_{j=1}^J G_j^2$$

where  $G$  represents the proportion of the population of ethnic group  $j$  out of  $J$  ethnic groups. Subtracting from 1 makes this a measure of heterogeneity. We computed economic resources as the median income in the city. We measured overall income inequality by utilizing the Gini coefficient, which is defined as:

$$(2) \quad G = \frac{2}{\mu n^2} \sum_{i=1}^n ix_i - \frac{n+1}{n}$$

where  $x_i$  is the household's income for 1999 as reported in the 2000 census,  $\mu$  is the mean income value, the households are arranged in ascending values indexed by  $i$ , up to  $n$  households in the sample. Because the data are binned (as income is coded into various ranges of values), we will take this into account by utilizing the Pareto-linear procedure (Aigner and Goldberger 1970; Kakwani and Podder 1976), which Nielsen and Alderson (1997) adapted from the U.S. Census Bureau strategy.<sup>7</sup>

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<sup>7</sup> We used the prln04.exe program provided by Francois Nielsen at the following website: <http://www.unc.edu/~nielsen/data/data.htm>.