MORE JOBS, LESS OPPORTUNITY

Economic Growth in Orange County
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Orange County Communities Organized for Responsible Development (OCCORD)
Founded as a community-labor alliance in 2005, Orange County Communities Organized for Responsible Development (OCCORD) combines community organizing, civic participation, strategic research, and advocacy to engage residents, workers, and stakeholders in local government decisions that impact economic opportunity, community health, and overall quality of life. OCCORD's mission is to bring workers, families and community partners together to organize and advocate for good jobs, strong neighborhoods and an inclusive democracy in Orange County. OCCORD is a 501(c)(3) nonprofit organization.

The University of California-Irvine Labor Project
Initiated in 2013, the UCI Community Labor Project is a collaboration between UC-Irvine, the UCLA Labor Center, and the California Civic Participation Funders, bringing together community, labor and university resources in order to build a Community and Labor Project under the principles of research justice.
The past ten years saw remarkable ups and downs for both Orange County’s economy and that of the nation. Housing prices and employment shot upward as the housing bubble grew, then plummeted with the crash of the market and the resulting recession. Now, as Orange County emerges from the recession years, local indicators show economic recovery and forecast continuing growth for the future. But for Orange County residents, what will the next ten years bring?

*More Jobs, Less Opportunity* takes a close look at Orange County’s economic experience, examining its unique characteristics and its position within the context of the state and national economies. It makes projections for Orange County’s industrial growth and identifies major trends that emerge from the data with potential impacts to residents in mind.

### Executive Summary

Orange County’s macroeconomic indicators are strong, showing consistent growth in production of goods and services, recovery of the housing market, and projections of strong employment growth over the next ten years. We find that as of 2013, Orange County had recovered more than half of the jobs lost between 2006 and 2010, and is projected to add 227,394 new private sector jobs to the economy by 2022 for a net increase since peak employment in 2006. More recent data from 2015 finds that recession recovery of overall employment is complete. Yet the ways in which this growth impacts those who live, work, and do business in Orange County are extremely uneven. *More Jobs, Less Opportunity* identifies three major economic challenges:

- **First**, Orange County as a whole shows clear signs of significant and rapidly increasing economic inequality. This inequality is reflected spatially in the economic and demographic divide between north Orange County and south Orange County, with north Orange County facing more challenges in terms of economic indicators.
  - Since 1970, income inequality has increased faster in Orange County than in the state of California or the United States.
  - Spatial economic segregation – the likelihood of a low-income family living in a neighborhood of primarily low-income households – is increasing.

- **Second**, the cost of housing – both rental housing and homes for sale – is extremely high, and can be expected to continue increasing much faster than growth in wages.
  - Between 1990 and 2014, the median home price in Orange County increased by 57 percent, while the average annual wage increased by just 18 percent.
  - Orange County’s rental market is one of the most unaffordable in the country; as a result, the rates of overcrowding in rental units are extremely high.

- **Third**, while Orange County will see strong employment growth in the next ten years, a disproportionately large number of the jobs created will be added in low wage industries. Fifty percent of the jobs that will be added pay average annual wages low enough to qualify an individual for low income housing in Orange County, further straining our tight housing market and burdening public assistance programs.
  - Fifty percent of the jobs projected to be added to Orange County’s economy in the next ten years pay average annual wages that would qualify an individual for low income affordable housing under California guidelines. 19 percent – or over 50,000 projected jobs – pay average annual wages low enough to meet income eligibility for food stamps for an individual.
  - Like much of the United States, Orange County is seeing the loss of manufacturing jobs and huge growth in health care, food service and accommodation jobs. However, these growing sectors provide primarily low wage jobs.
Together, these three challenges create a hostile economic environment for most of Orange County’s residents. As housing prices rise but wages stagnate, families and working people face huge barriers to homeownership, one of the best ways for people to accumulate wealth, save for their futures, and reach the middle class. Renters are faced with increasing financial burdens, particularly seniors who are surviving on fixed incomes. Young people looking to join the workforce are expected to take on immense debt to finance higher education, but then face a job market that provides mostly low-wage jobs. Adding more low wage workers to the workforce strains the already tight housing market, exacerbating unaffordability and its associated problems, like overcrowding and congestion.

Not only do these challenges threaten economic mobility for Orange County’s residents, they also have the potential to constrain business growth, unravel social cohesion, and ultimately make Orange County an unappealing location for workers, businesses, and investors. While forecasted growth in jobs and property values looks like a marker of a strong economy, for the people who live in Orange County it equates to less economic opportunity.

*More Jobs, Less Opportunity* provides an analysis of data rather than an analysis of policy, but it raises critical questions for policymakers, advocates, and residents. The challenges identified here are shared challenges, and all decision-makers, from voters to elected officials, should be involved in designing and implementing solutions. Given the changes that lie ahead, how will we strategize, legislate, and organize to build an Orange County where everyone can prosper?
Orange County Overview: Land, Demographics, and Economy

Land and population
Orange County is California’s third most populated county, with a population estimated at 3,051,771 in 2013.¹ Orange County experienced most of its population growth in the second half of the 20th century, transforming from a mostly rural and agricultural area into a major urban center following World War II. Today, most of the county is urban, and it is the second most densely populated county in California.² It is part of the densely populated area of Southern California where six counties comprise over half of the state’s total population.

Racial/ethnic demographics
Orange County’s population has become increasingly diverse over the past thirty years. Much like the rest of California, Orange County’s Hispanic/Latino and Asian/Pacific Islander populations have grown both numerically and as a proportion of the total population. Today, Orange County’s population is 56.6 percent people of color, slightly less than California’s 60.3 percent.³ This percentage is projected to grow steadily over the next 30 years, increasing to around 70 percent by 2040.⁴

Race and Ethnicity in Orange County, 1980 - 2010

Immigration
Among Southern California counties, Orange County is slightly less ethnically and racially diverse than some of its neighbors, but a large portion – over 30 percent – of its population is foreign born. About 15.4 percent of Orange County residents are not U.S. citizens, a total of around 469,000 people.⁵

The Migration Policy Institute estimates that around 274,000 Orange County immigrants are undocumented, with 141,000 (51 percent) of them potentially eligible for relief from deportation through the federal programs DACA (Deferred Action for Childhood Arrivals) or DAPA (Deferred Action for Parents of Americans and Lawful Permanent Residents).⁶ These programs grant temporary renewable work permits and exemptions from deportation for some undocumented youth and some undocumented adults who are parents of American citizens or lawful permanent residents. Orange County is one of the five counties in the United States with the largest populations potentially eligible for this relief.

Immigrants and People of Color, Southern California Counties 2013

<table>
<thead>
<tr>
<th>County</th>
<th>Immigrants</th>
<th>Population of Color</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles County</td>
<td>35.1%</td>
<td>72.5%</td>
</tr>
<tr>
<td>San Bernardino County</td>
<td>21.1%</td>
<td>67.5%</td>
</tr>
<tr>
<td>Riverside County</td>
<td>21.9%</td>
<td>61.1%</td>
</tr>
<tr>
<td>California State</td>
<td>27.0%</td>
<td>60.3%</td>
</tr>
<tr>
<td>Orange County</td>
<td>30.4%</td>
<td>56.5%</td>
</tr>
<tr>
<td>San Diego County</td>
<td>23.4%</td>
<td>52.0%</td>
</tr>
<tr>
<td>Ventura County</td>
<td>22.8%</td>
<td>51.9%</td>
</tr>
</tbody>
</table>

Source: American Community Survey
Orange County's economy
From a macroeconomic perspective, Orange County has a strong economy. The gross county product (a county-level estimate of gross domestic product (GDP)) was estimated to be around $210 billion in 2013 and 2014. Orange County's gross product is roughly around the size of those of countries like the Czech Republic, Algeria, and Peru. Growth projections ranged between 2 and 3 percent for 2014 growth, which is in keeping with the projected national growth rate in GDP.

The per capita real GDP for the Los Angeles-Long Beach-Anaheim metropolitan statistical area, which includes Orange County and Los Angeles County, was $59,092 in 2013. Per capita real GDP measures GDP from an area as it relates to the total population in the area; as an indicator, it can show how well an economy can support its local population. The Los Angeles-Los Beach-Anaheim per capita real GDP is not only higher than that of California and the United States, but it has also grown significantly faster than either.

Orange County has one of the highest median household incomes among Southern California counties, and has the seventh highest median household income among California's 58 counties. At $75,422 in 2013, it is significantly higher than the state median household income of $61,010.

Recovery from the Recession
Orange County consistently has a lower unemployment rate than California or the United States, reflecting a general – though not universal – tendency for urban areas to have lower unemployment compared to rural areas or states containing rural areas. Orange County's unemployment rate has also been consistently low compared to the other Southern California counties over the past ten years. Of the counties in the region, Orange County had the smallest overall jump in unemployment between the peak employment year of 2006 and the peak unemployment year of 2010, and it has regained the greatest percentage of employment during its recovery.

Although Orange County lost an estimated 158,900 jobs between 2006 and 2010, approximately 85,000 jobs had been recovered as of 2013 and the county is projected to add 227,000 new jobs to the economy by 2022. As of early 2015, employment was reported to be fully recovered, and Chapman University's Anderson Center for Economic Research cites even rosier findings for the immediate future, projecting almost 47,000 new jobs added in 2015.

Housing prices have largely recovered from the impacts of the recession as well. At the peak of the housing market's bubble, the median priced home in Orange County was $775,424, in June of 2007. At the trough in January of 2009, the median priced home was $442,169. As of November 2014, the market had recovered to a median price of $689,480. These numbers reflect the nominal value and therefore don't account for
I. Inequality in Orange County

- As a whole, Orange County has been experiencing rapid growth in income inequality.
- Within Orange County, there are significant patterns of spatial inequality and segregation, both economic and demographic, and this segregation appears to be increasing.

A growing body of research has measured dramatic and increasing growth in economic inequality in the United States since the 1970s. As a social and economic issue, the topic of wealth and income inequality has had a dramatically growing media profile in the past five years. It is high on the agenda of international governing bodies, covered frequently in national media, and thus far a key topic of debate in the early stages of the 2016 presidential campaign.16 17 18

Rapidly rising income inequality in Orange County
One widely recognized method for measuring income inequality is to examine how much of the total income earned in an economy goes to each quintile (20%) of the population. The population is divided into quintiles based on household income levels.

In Orange County, the top 20 percent of households take home just over 50 percent of all the income earned, with the top 5 percent taking over 22 percent of total income. The lowest quintile, or bottom 20 percent, earns just 3.25 percent.19 Among Southern California counties, only Los Angeles County has a bigger gap, though Orange County’s income distribution is comparable with that of California and the United States.

Income inequality has grown much faster over the past forty years in Orange County than it has in California or the United States as a whole. Between 1970 and 2010, Orange County saw larger gains in the percent share of aggregate income earned by the top 20 percent, and greater losses in the income earned by the lowest quintile.20

Percent Change in Income by Quantile, 1970 - 2010

Source: U.S. Census, American Community Survey
Spatial and geographic inequality
Unlike other major California counties, Orange County is not dominated by any one central city, rather, it is made up of 34 cities between 4000 and 350,000 residents in size. Orange County is divided by economic and demographic characteristics along many geographic lines, but the most pronounced is the division between northern Orange County (particularly those parts sited north of the 55 freeway and west of the 57 freeway) and southern Orange County, reflected by significant economic, social, and demographic differences in the populations of the two areas.

Northern Orange County is much more densely populated than southern Orange County, and it is home to the older urban centers of the county, many developed before World War II and the subsequent population boom. Between 1950 and 1980, Orange County’s population increased drastically. Postwar suburban development concentrated first in north Orange County, then expanded into south Orange County in the 1970s and 1980s as many north county residents sought to escape congestion and aging neighborhoods.
Spatial economic inequality
Although Orange County's median household income is high ($74,163), median incomes vary dramatically across the county. Among the 34 cities of Orange County, Villa Park has the highest median income at $155,525. Santa Ana, with the lowest median household income at $53,335, is over $100,000 less. Although there are geographic exceptions, lower median incomes tend to be concentrated in north and central Orange County, with higher median incomes concentrated in south Orange County. Incomes vary within cities as well, as the median reflects the income at the middle of a broad range.

Median Annual Household Income by Census Tract, Orange County 2013

Similarly, south Orange County cities tend to have fewer low income households and less concentration of poverty, as indicated by data on children living under the poverty level and people participating in the food stamps program (referred to in California as CalFresh, and nationally as SNAP). Childhood poverty is concentrated mostly in north Orange County.

Unemployment levels also vary significantly between cities. The City of Aliso Viejo in south Orange County has Orange County’s lowest unemployment rate, at an average of 3.3 percent for 2013, while Stanton, in north Orange County, had the highest with an unemployment rate of 10.1 percent. The unemployment rate for Orange County as a whole was 6.5 percent.

2013 Unemployment Rates, Orange County cities

Source: California Employment Development Department
**Growing economic segregation**
Orange County, already economically segregated both as a county and within many of its larger cities, has seen an increase in economic segregation over the past thirty years. In 1980, about 18 percent of low income households (those with an income at 67 percent or less of the county median) lived in census tracts where the majority of households were low income. By 2010, this had increased to 24 percent. More high income (200 percent of the county median income) households lived in majority high income census tracts in 2010 than in 1980 as well.24

Some level of economic segregation is to be expected, and economic segregation is not unique to Orange County, but its steady increase is a cause for concern. Rising economic segregation can damage social mobility and prevent low and middle income residents, particularly youth, from accessing economic and social opportunity.

**Uneven racial and ethnic distribution**
Both north and south Orange County have high levels of diversity, but different racial and ethnic populations are distributed unevenly around the county. Orange County’s populations of color are most heavily concentrated in larger cities in north Orange County, while south Orange County cities tend to have much higher proportions of white residents in their populations. In the northern part of the county, seven cities have populations that are more than 70 percent people of color, while in the southern part of the county, six cities have populations that are less than 25 percent people of color.25 A few cities, such as Villa Park and Yorba Linda in north Orange County, and San Juan Capistrano in south Orange County, don’t follow this pattern.

**People of Color as a Percentage of the Population by Census Tract, Orange County 2013**

![Map of Orange County showing people of color as a percentage of the total population.](source: American Community Survey)
II. The Cost of Living

- **Housing prices in Orange County skyrocketed over the past fifteen years, and have largely recovered from the recession.**

- **Rental prices in Orange County are also exorbitant, and overpaying and overcrowding are rampant problems as a result.**

- **At the same time that housing costs have skyrocketed, median wages have stagnated, leaving Orange County families to pay for much more expensive housing with the same salaries.**

Orange County is about 40 percent renters and 60 percent owners, although tenure varies wildly between cities. Villa Park has a 96 percent rate of homeownership, with only 75 renters residing in the city. On the other extreme, only 40 percent of Costa Mesa residents own their own homes.26 Renting is significantly more common in most north Orange County cities, where housing stock contains more multifamily housing, incomes are generally lower, and the population tends to be younger.

**The cost of housing**

Housing in Orange County is more expensive than housing in California or the United States as a whole, and housing prices in Orange County have become comparatively more expensive over the past 25 years. Data from the Federal Housing Finance Agency’s Housing Price Index, which measures change in home prices, shows Orange County’s housing prices increasing more rapidly than California’s beginning in the late 1990s.27 The gap between state and county grew during the mid-2000s and has persisted during and after the housing crisis of the late 2000s.

**Relative Changes in Housing Prices, 1991 - 2014 (FHFA Housing Price Index)**

![Graph showing relative changes in housing prices, 1991-2014.](Image)

Source: Federal Housing Finance Agency

Even when adjusted for inflation, Orange County has seen a dramatic increase in the median home price over the last 25 years. When adjusted for inflation, the median sale price in 1990 was $435,925. At the peak of the housing bubble in 2007, the median price had nearly doubled to $864,962. 2014’s median housing price for Orange County was $696,680.28
Median home prices vary dramatically depending on where in the county the house is located, again reflecting the general economic divide between north and south Orange County. Median home prices ranged from $271,400 in Stanton to $1,000,001 in Laguna Beach and Newport Beach, with a county median of $506,386, for the five-year period from 2009 to 2013.

**Median Home Prices in Orange County Cities, 2009 - 2013**

The California Association of Realtors also estimates that just 44 percent of Orange County households can afford to purchase an “entry level home” (a home at 85 percent of the median price for existing housing stock in the county), compared to 54 percent of California households and 76 percent of households in the United States. They estimate that only 20 percent of Orange County households can afford to purchase a home at the county’s median housing price, compared to 30 percent of households in California and 57 percent of households in the United States.

Rental prices are also extremely high. Orange County is one of the most unaffordable rental markets in the country. The county’s median rent was $1,495 in 2013. Stanton and Santa Ana had the lowest median rents, with $1,283 and $1,294 respectively. Laguna Beach, Newport Beach and Villa Park had the highest median rents, between $1,887 and $2,001. The National Low Income Housing Coalition finds that Orange County has a “housing wage” of $31.62 per hour. The “housing wage” represents how much a person must earn in order to afford a 2-bedroom apartment at Fair Market Rent. That makes Orange County the seventh most expensive county in the nation and the fourth most expensive metropolitan area (behind San Francisco, Honolulu, and Silicon Valley).

As a result, many people overpay for housing. The federal definition for housing affordability is housing costs that are no more than 30 percent of a household’s gross income. Renters or owners spending in excess of 30 percent of their gross income on their housing are considered to be overpaying. Five cities, all in north Orange County, have over 60 percent of renters overpaying for their housing. Three south Orange County cities have the highest rates of owners overpaying for their housing. Two of these have large populations of seniors; one, Laguna Woods, is nearly entirely populated by retired people due to age restrictions on the community. These homeowners are more likely to be on fixed, smaller incomes.

High housing costs also lead to a high instance of overcrowding. Of California counties, Orange County has the seventh highest rate of overcrowding (9.3 percent of units meet the federal definition for overcrowding), and the fourth highest rate of overcrowding for renters (16.8 percent). Nearly a third of Santa Ana households are overcrowded. If only renters are counted, Santa Ana’s rate of overcrowding rises to 43 percent. Eight Orange County cities have overcrowding rates for renters in excess of 20 percent. On the other end of the spectrum, five cities have overcrowding rates that are less than 3 percent.
**Wage stagnation**

National and state trends find that the value of wages has been stagnating, despite constant growth in workers’ productivity. Similarly, wages in Orange County have seen little to no real gains in the past twenty years. While the nominal value, or dollar amount, of wages has increased, the real value of the average annual wage has increased very little in Orange County since 1990.

The minimum wage has seen periodic increases over the past 25 years, but its increases have also not kept pace with the rising costs of housing.

Between 1990 and 2014, the median home price in Orange County increased by 57 percent in real terms. The average annual wage increased by only 18 percent. The minimum wage increased by 17 percent, including gains earned in 2014.

![Real v. Nominal Value](image)

Real value refers to the value of an item after adjusting for inflation. When overall price levels in an economy increase year after year, it is impossible to compare the true value of an item between years. By adjusting for inflation, values in one year can be compared to another year. Nominal value refers to a dollar value that is unadjusted, and therefore reflects the value of an item in that year’s dollar during the time period in which the value was recorded.

**Orange County Median Home Price, Average Annual Wage, and Minimum Wage 1990 - 2014, Indexed**

When housing prices grow and wages stagnate, a huge economic burden is placed on families. Young, working families are unable to save for homeownership due to high rents, and would-be first-time homebuyers are shut out of the housing market. High rental prices and the inaccessibility of the housing market prevent people from saving money to weather emergencies, from financing education for themselves or their children, and from investing in their communities by buying property and starting businesses. An unaffordable housing market also makes it difficult for businesses and universities to attract new workers, threatening economic growth for employers. This threatens the overall economic health and stability of Orange County families.
III. Growth in Low Wage Jobs

- In addition to overall wage stagnation, Orange County’s economy faces the challenge of disproportionate growth in low wage jobs.

- Orange County’s fastest growing and most competitive industries are those that produce mostly low wage jobs.

Industry change, 2004 - 2013

Like most large economies, Orange County’s economy is made up of a mix of industries, although this mix has shifted over time. The past ten years saw a number of changes, some likely due to the recession and others mirroring national and local trends over time.

Employment Change by Industry in Orange County, 2004 - 2013

Manufacturing, traditionally Orange County’s biggest employment sector, shrank significantly and was surpassed in total jobs by the accommodation, food service and recreation sector. Over 25,000 manufacturing jobs left Orange County over the past decade, reflecting a national trend of manufacturing job loss.39

Most industries shrank between 2004 and 2013, including dramatic losses from industries associated with housing and finance, namely construction and finance, insurance, and real estate. This shrinkage can likely be attributed to the recession’s impact on the housing market and the market for financial services.

Only four major sectors saw job growth during the past ten years: health care, accommodation/food service/recreation, professional/technical, and educational services. Health care and educational services saw huge gains. Health care employment grew by nearly 40 percent, adding over 44,000 jobs in Orange County.
Forecasting industry growth, 2013 - 2022
Projections for growth in the next ten years are positive, forecasting employment increasing by 16 percent in Orange County. Most sectors will add jobs due to national economic growth.

Forecasted Employment Change by Industry in Orange County, 2013 - 2022

Job growth in low wage jobs
Although economic recovery is promising in terms of the number of jobs added to the Orange County economy, many of the jobs will provide low wages. Of the ten industries that are projected to add the most jobs to Orange County’s economy in the next ten years, six provide an average annual salary of less than $40,000. Two of these industries, social assistance and food services and drinking places, provide average annual wages that meet eligibility requirements for CalFresh (food stamps) and other public programs. Only one, professional and technical services, provides an average annual salary above the Orange County median household income of $74,163.

Industries with Largest Projected Job Growth, Orange County, 2013 - 2022

<table>
<thead>
<tr>
<th>Industry (3-digit NAICS level)</th>
<th>Projected Jobs Added, 2013 - 2022</th>
<th>Average Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Assistance</td>
<td>28,526</td>
<td>$20,169</td>
</tr>
<tr>
<td>Professional and technical services</td>
<td>28,029</td>
<td>$82,803</td>
</tr>
<tr>
<td>Administrative and support services</td>
<td>26,434</td>
<td>$38,081</td>
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<tr>
<td>Ambulatory health care services</td>
<td>24,540</td>
<td>$59,219</td>
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<tr>
<td>Food services and drinking places</td>
<td>19,660</td>
<td>$17,967</td>
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<td>Specialty trade contractors</td>
<td>15,652</td>
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<td>Nursing and residential care facilities</td>
<td>9,123</td>
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<td>Miscellaneous manufacturing</td>
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<td>Hospitals</td>
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<tr>
<td>General merchandise stores</td>
<td>7,939</td>
<td>$24,756</td>
</tr>
</tbody>
</table>
Only 20 percent of all the jobs projected to be added in Orange County in the next ten years pay average annual wages that exceed Orange County’s median household income. Fifty percent of jobs to be added pay average annual wages that would qualify an individual for low income affordable housing under California guidelines. Nineteen percent – or 50,000 projected jobs - pay average annual wages low enough to qualify an individual for food stamps.

**Average Annual Wages for Projected New Jobs, Orange County 2013 - 2022**

- 20.2% pay average annual wages under $40,000
- 49.1% pay average annual wages between $40,000 and $70,000
- 30.7% pay average annual wages over $70,000

**Jobs in Orange County Economy 2013**
- 42.7% of jobs pay average annual wages
- 26.7% pay average annual wages
- 30.6% pay average annual wages

**Forecasted New Jobs, Orange County Economy 2013 - 2022**
- 20.2% of projected new jobs pay average annual wages low enough to meet eligibility requirements for Food Stamps for a single person household.
- 28 percent of projected new jobs pay average annual wages low enough to qualify a two-person household for WIC (Supplemental Nutrition for Women, Infants, and Children) and Free or Reduced School Lunch programs.
- 50 percent of projected new jobs pay average annual wages low enough to qualify a single person household as Low Income for affordable housing based on state income limits for Orange County.
- 72 percent of projected new jobs pay average annual wages that are less than the housing wage required to afford a two-bedroom apartment at Fair Market Rent in Orange County.
- 80 percent of projected new jobs pay average annual wages that are less than the Orange County median household income, and qualify a four-person household as Low Income for affordable housing.

Source: Shift-share analysis of Bureau of Labor Statistics data, California State Department of Education, Department of Social Services, Department of Housing and Community Development, Department of Public Health.
Competitive Strengths and Key Industries in Orange County

Growth or contraction of industries in a local economy can be the result of a number of factors. Detailed analysis of job change using the shift-share method allows for the different influences of overall national economic growth, national industry growth, and regional competitive advantages, to be identified. Together, these three components create the changes we see in local industry employment.

The following section will examine four key industry sectors in which Orange County has regional competitive strengths: health care, accommodation/food service/recreation, manufacturing, and construction. These four industries are of particular note in Orange County due to their size, significance, and regional competitive advantages (the relative strength of these industries in Orange County versus in the nation as a whole). Construction, accommodation/food service/recreation, and manufacturing are all historically strong local industries, while health care is an emerging industry that is rapidly growing.42

Industries associated with the health care sector and accommodation/food service/recreation are both regionally competitive in Orange County, and experiencing national industry growth. Construction is still lagging nationally as the United States recovers from the recession, but high regional competitiveness in Orange County will lead to strong job growth. Manufacturing is in a similar situation, but more dire. While many manufacturing industries are regionally competitive, the sector at the national level has been declining for years. Unlike the construction industry, it can't be expected to recover at the national level.
Health care industries
Health care is a nationally growing sector, and has provided the largest job growth in Orange County in recent years. Health care jobs now make up almost 12 percent of total employment in Orange County. The sector has nearly supplanted accommodation/food service and manufacturing as Orange County’s largest industry, and it is projected to do so over the next ten years.

Health care employment in Orange County is projected to increase by another 45 percent in the following decade, matching its current rate of growth and nearly tripling the rate of growth of Orange County’s economy as a whole. Shift-share analysis attributes this job growth both to Orange County’s regional competitive strengths in the health care industry and to national growth in health care employment.

Yet while health care is a growing industry that will provide jobs to many Orange County residents, it also poses a threat to the economic wellbeing of the county as a whole due to the low wages provided by most of these jobs. Projections anticipate the addition of over 78,000 jobs in the health care industry by 2022. Of these, more than 50 percent pay average salaries of less than $40,000 per year. Over a third (36 percent) pay less than $22,000 per year on average, a salary low enough for a single person to meet eligibility requirements for food stamps, free and reduced lunch and other public benefits programs.

Accommodation and food services industries
The accommodation and foods services sector encompasses a large amount of tourism-related industries, although some food services establishments serve mainly local residents. Tourism is a growing and regionally competitive sector in Orange County. Many Orange County cities invested heavily in tourism in the 1990s and 2000s, which helped the sector grow and thrive. While many sectors experienced net job loss over the past ten years due to the impacts of the recession, the accommodation, food services, and recreation industries in Orange County continued to grow. Accommodation and food services industries are projected to continue growing over the next ten years, at a rate slightly faster than Orange County’s economy as a whole.
In addition to providing employment, tourism is effective at generating local tax revenue through sales taxes, hotel room taxes, and other specific product taxes levied by cities. An industry-commissioned study found that travel-related spending in Orange County generated approximately $360 million in local tax receipts in 2013. This revenue has steadily increased since 2009, indicating post-recession recovery of Orange County’s tourism sector.

However, while tourism is effective at generating tax revenue for cities, the sector provides extremely low wage jobs. Ninety-seven percent of the jobs projected to be created by tourism industries in the next ten years pay average annual salaries of less than $40,000. Eighty percent of tourism jobs will pay average wages of less than $26,000. A household of four depending on such a salary would qualify for every major income-limited benefits program offered by the state of California, including food stamps. All of the jobs provided by the tourism industry pay annual average salaries that are less than the median household income in Orange County.

**Average Annual Wages for Projected New Health Care Jobs, Orange County 2013 - 2022**

<table>
<thead>
<tr>
<th>Average Annual Wages</th>
<th>2013</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $40,000</td>
<td>2.8%</td>
<td>2.9%</td>
</tr>
<tr>
<td>$40,000 to $70,000</td>
<td>97.2%</td>
<td>97.1%</td>
</tr>
<tr>
<td>Over $70,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Projected Growth in Manufacturing Jobs, 2013 - 2022**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>MANUFACTURING EMPLOYMENT</th>
<th>ALL ORANGE COUNTY EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2022</td>
<td>+8.7%</td>
<td>+16%</td>
</tr>
</tbody>
</table>

Source: Shift-share analysis of Bureau of Labor Statistics data

*Manufacturing industries*

Manufacturing, for decades the largest sector in Orange County’s economy, is on the decline. Orange County has historically had a very strong manufacturing sector, particularly in manufacturing associated with aerospace engineering and defense. However, the past twenty years have seen these industries shrink in employment. The conclusion of the Cold War saw cuts to government contracts for defense and aerospace products, and the 1990s and 2000s saw many manufacturing firms of all types move plants to the American South or offshore to foreign countries. Although impacts in Southern California were particularly associated with traditionally strong aerospace and defense manufacturing, the offshoring of manufacturing jobs has been a national trend and manufacturing employment in the United States is expected to continue its decline.

Growth of the entire United States economy plus some Orange County regional competitiveness in manufacturing will create jobs over the next ten years, but at a comparatively slow rate of growth. While manufacturing employment in Orange County is projected to grow about 9 percent in the next ten years, total employment in Orange County is projected to grow nearly twice as fast, about 16 percent.
Within the struggling manufacturing sector, a few regionally competitive industries have brighter prospects. Orange County has especially high regional competitive advantage in the miscellaneous manufacturing industry, which includes medical equipment and supplies manufacturing. It employed over 20,000 people in 2013, is projected to grow more rapidly than Orange County’s economy as a whole, and is closely linked with health care, a nationally growing sector.

Manufacturing continues to provide middle-class jobs, though job growth in the next ten years will concentrate mostly in industries that provide wages on the lower side of moderate. Currently, nearly all manufacturing industries provide an annual average wage over $40,000, and nearly forty percent provide an annual average wage over $70,000. Job growth in the next ten years is expected to concentrate in industries that provide average wages between $40,000 and $70,000.

**Construction industries**

For the construction industries, Orange County’s regional competitiveness outweighs a current lack of national industry competitiveness. In addition to having a traditionally strong construction sector, Orange County’s housing market is bouncing back from the recession, leading to more demand for construction work.

Orange County’s construction industry experienced dramatic ups and downs over the past decade, mirroring the experience of the national construction industry. Employment in construction jobs swelled during the housing bubble of the mid-2000s and dropped sharply during the Great Recession. At its peak in 2006, the construction industry in Orange County provided 106,600 jobs; in the depths of the recession in 2009 over a third of these jobs were shed.

The outlook for the construction industry in Orange County is positive due to the persistent regional strength in construction and the overall rebounding of the national economy. Even though the construction industry remains somewhat stagnant and uncompetitive nationally, Orange County’s regional competitive strength is translating into job growth. Orange County is projected to add almost 25,000 new construction jobs in the next decade, a rate of growth double that of Orange County’s economy as a whole.

Construction industries generally provide middle income salaries, although some construction occupations are low-wage jobs. Protections from Project Labor Agreements and union membership help protect construction workers’ wages and improve health and safety conditions in the workplace.

<table>
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<tr>
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<tbody>
<tr>
<td>Percent increase in employment</td>
<td>Construction +32% / All Orange County employment +16%</td>
</tr>
</tbody>
</table>

20
Analysis of industry, employment, housing, and wage data show us clearly that Orange County's burgeoning economic growth does not automatically equate to a sunny economic outlook. Rather, this economic growth highlights and exacerbates inequality and a high cost of living as existing challenges in Orange County, and brings with it new challenges by creating disproportionate amounts of new, low-wage jobs.

Positive economic indicators for the county as a whole mean little when inequality within the county is rapidly growing. Even as Orange County continues to maintain a high median household income and low unemployment rate, entire cities in north Orange County lag far behind their counterparts in the south. The spatial economic segregation between low-income, middle class, and affluent households is rapidly growing, further isolating struggling communities and threatening social mobility for many.

Rising home values can be a positive indicator for an area, but Orange County’s data shows that housing costs have risen exponentially while wages have largely stagnated, leaving residents to pay 21st century costs of living with 20th century wages. Rather than helping people invest in homeownership and thereby finance their education, businesses, or retirement, these increases in home values are straining family budgets, preventing young households from homeownership, and placing incredible burdens on renters. Young people, first time homebuyers, and renting seniors are particularly impacted. Orange County’s economic health and community stability suffers as a result.

Job growth that creates disproportionately large amounts of low-wage jobs only exacerbates social and economic problems in Orange County. Creating more jobs does not inherently translate to creating greater economic opportunity for Orange County residents, especially when the supply of housing affordable to low-income households is already inadequate. And adding large numbers of jobs to the economy that require public assistance for employees to make ends meet is economically and socially unhealthy, and fiscally irresponsible.

As policymakers, community organizations, advocates, and residents of Orange County, these findings should concern all of us. Although economic growth is the underpinning of safe neighborhoods, strong communities, and a good quality of life, it is by no means a sufficient condition for achieving any of these goals. Orange County’s inequality should never be allowed to progress to the point that it inhibits the social mobility that is a core value of our country. Housing should be accessible for all working people, families, and seniors. And employment should be a path to economic stability and eventual success, not a path to poverty and reliance on public assistance. We encourage all readers of this report to consider their role in building a better Orange County.
Notes

43. Ibid.
44. Ibid.

Methodology

Aggregate share and gini coefficient analysis

Spatial analysis of income data

Shift-share analysis of employment data