This last year has seen the economy falter for many, especially those who are most susceptible to economic dislocations. Key events so far include the decline in the stock market, a rise in consumer prices (especially on essential items), a rise in unemployment, a rise in foreclosures due to the mortgage crisis, a decline in home values, and an increase in extreme poverty.

In an economic crisis, the poor and economically vulnerable are like the proverbial canary in the coalmine — feeling the effects more swiftly and acutely than the general population. L.A. County is already showing anecdotal evidence of these effects as already poor families are pushed into destitution, eventually swelling the waiting lists of homeless shelters.

In this brief, we take a look at a few features of the economy in the fragile balance of making ends meet and staying out of homelessness — Extreme Poverty, Unemployment/Jobs, and Housing.

### Extreme Poverty

The number of extreme poor in L.A. County roughly matches the total population of Washington D.C., and is greater than the total populations of Seattle, Las Vegas or Miami.

Although the overall poverty rate for L.A. County, defined as being under the federal poverty level\(^1\), declined slightly from 2006 to 2007 (from 15.4% to 14.7%)\(^2\), the number and rate of those slipping into extreme poverty increased slightly — suggesting that the poor are getting poorer in L.A. County.

Extreme poverty means earning below 50% of the federal poverty level. This translates to:

- 1 person earning less than $5,200 a year.
- A family of 3 earning less than $8,800 a year.
- A family of 4 earning less than $10,600 a year.

In 2007, over 583,000 people in L.A. County lived in extreme poverty\(^4\) — enough to fill a major American city.

To illustrate this fact, Figure 1 compares the population of only the extreme poor in L.A. County with the total populations of a few major urban metro areas in the U.S.

### FIGURE 1

<table>
<thead>
<tr>
<th>Population of Only the Extreme Poor in L.A. County Compared to Total Populations of Selected Major U.S. Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
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<tr>
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</tr>
<tr>
<td>Miami</td>
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<tr>
<td>Las Vegas</td>
</tr>
<tr>
<td>Seattle</td>
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<tr>
<td>L.A. County Extreme Poor Only</td>
</tr>
<tr>
<td>Washington D.C.</td>
</tr>
</tbody>
</table>

Source: 2007 American Community Survey, U.S. Census Bureau

In L.A. County as a whole, 6% of people live in extreme poverty, which is higher than other urban areas in California and the state as a whole (see Figure 2).

Levels of extreme poverty vary across cities and communities: The City of L.A., the City of Long Beach, and the Cities of Lancaster and Compton all have rates higher than L.A. County as a whole; East L.A. has an especially high rate of persons living in extreme poverty — 10% or one in ten of the residents (nearly twice that of L.A. County)\(^5\).

### FIGURE 2

Percent of Population in Extreme Poverty in California

Source: 2007 American Community Survey, U.S. Census Bureau

Many people and many families who live in or near extreme poverty are working. One thing is certain — they are below the income level needed to sufficiently raise a family. Below is a geographic portrait of L.A. County families with incomes at or near extreme poverty. This portrait is built on a special...
tabulation of the U.S. American Community Survey of the Census Bureau for the year 2006. The boundaries below represent 69 districts representing communities across the 8 service planning areas of L.A. County.

Among L.A. County’s 69 districts, there is about a 12 fold difference between the highest and lowest rates of families at or near extreme poverty: the district for Downtown-Westlake-Pico Union has the highest rate for any district at 12.9% of its families with incomes less than $10,000 a year. The district comprising Calabasas-Agoura-Topanga Canyon has the lowest rate of families with less than $10,000 — a rate of 1.1%.

Public Benefits and the Extreme Poor

A reflection of growing extreme poverty can be seen in the rise of those on General Relief (GR), a benefits program for the truly indigent. The maximum cash aid is about $221 a month per person. One of the chief requirements for eligibility is that you must have an extreme economic hardship — meaning one cannot have more than $50 in cash or in a bank account at the time of applying for GR.

The rise in the rate of GR recipients is especially troubling given the fact that many of those on GR are so close to homelessness. According to a 2006 survey report by the L.A. County Department of Public and Social Services, 60% of recipients of GR are effectively homeless, sleeping in places not fit for human habitation (such as park benches, garages, abandoned buildings, and cars). The increase in GR recipients would likely portend an increase in the number of homeless persons in L.A. County in the near future. Part of the reason that GR beneficiaries are susceptible to homelessness could be that GR benefits in L.A. County have not kept pace with costs of living over the years. For example, in 1947, GR was about $55 a month and hotels in skid row and similar poor areas rented for about $1.50 a night. In 1980, GR was about $226 a month and skid row hotels could be sought for $45 a week. Today, the maximum aid GR provides is $221 a month, and a skid row hotel can go for $350 to $500 a month.

The number of persons on food stamps in L.A. County has also risen dramatically within the last year. People with low incomes qualify for food stamps (a family of four earning about $2200 or less a month or a single person earning about $1100 a month). By the end of October 2008, the number of people receiving food stamps in L.A. County approached 700,000 — the most since May 2002. The rise of food stamps usage shows that a growing segment of the poor and low income people are already feeling the effects of the economic downturn, and particularly of the rising cost of food prices.
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Unemployment and Jobs

The unemployment rate is currently 8.2% in L.A. County (compared to about 8% for the state — which is the highest rate in nearly 15 years)\(^\text{15}\).

Many people out of work this year are facing an extremely virulent strain of unemployment that could last longer than normal because of the recession. Because of this, these people could run out of unemployment insurance benefits even after getting an extension. Like the connection between GR participation rates and homelessness, a steep rise in unemployment is likely to push more people into destitution and homelessness — according to the 2007 LA Homeless Services Authority Homeless Census Count survey, the loss of a job was the most commonly indicated cause of why people were homeless.\(^\text{18}\)

Housing

Rental Housing

Fair Market Rate rental costs (defined by the U.S. Department of Housing and Urban Development (HUD) as close to the median rent of the area) increased at 80 times the rate of median wages in L.A. County from 2000 to 2005.

The trend in the last generation nationally as well as locally has been a great increase in housing prices while wages remain stagnant. What is especially troubling is that even after adjusting for inflation, the gulf is still huge. A snapshot of this phenomenon in L.A. County can be seen in Figure 7. For the beginning half of the decade (2000 to 2005), median wages grew at one half of one percent.\(^\text{19}\) During the same time period, the fair market rate (FMR) for either a one-bedroom or two-bedroom apartment increased by at least 40%\(^\text{20}\).

In other words, FMR rental costs increased at 80 times the rate of median wages in L.A. County during the same period.

FIGURE 5

Number of Persons Receiving Food Stamps in L.A. County in 2008

Source: LA County DPSS Statistical Report, August 2008

FIGURE 6

2008 Unemployment Rates by Month

Source: Employment Development Department, State of California

FIGURE 7

% Increase in Median Wages vs. FMR Rents for One and Two Bedroom Apartments in L.A. County: 2000 to 2005 (in 2005 Adjusted Dollars)


L.A. County has generally fared worse than the state in terms of its rise in unemployment. Over 410,000 people in L.A. County were unemployed in October 2008 (the latest available statistics by the state of California). Unemployment is particularly high in East L.A. (11.4%), Lancaster (11.7%) and Compton (topping off at just over 14%).\(^\text{16}\) This unusually high unemployment rate also shows that jobs are scarce in such poor communities with jobs per worker at a lower rate than that of the county as a whole. South L.A., a poor section of L.A. County, for example, has a jobs to worker ratio half that of the county.\(^\text{17}\)

The nation lost over 500,000 jobs in the month of November alone — the largest one month loss of jobs in 34 years. This translates to a loss of nearly 2 million jobs since the start of the year.\(^\text{13}\)
Over half of renters in the county live in unaffordable housing, defined by HUD as anyone who pays more than 30% of their income on rent. However, many people are experiencing extreme rent burden — spending 50% or more of their income on rent. Again, as with extreme poverty, extreme rent burden varies widely throughout the county:

**FIGURE 8**

![Percentage of Renters with Extreme Rent Burden (50% or more of Income on Rent) for Selected L.A. County Cities and L.A. County](source)

Source: 2007 American Community Survey, U.S. Census Bureau

Compared with other major urban areas in California and the state as a whole, L.A. County has a larger portion of people facing extreme rent burden:

**Foreclosures**

**FIGURE 9**

![Percentage of Renters with Extreme Rent Burden (50% or more of Income on Rent)](source)

Source: 2007 American Community Survey, U.S. Census Bureau

It is estimated that 1 in every 169 homes in L.A. County is affected by foreclosure.

A record one in ten American homeowners who had a mortgage were either a month or more behind on their payments, or in the process of foreclosure at the end of September. California has lost approximately 79,000 homes to foreclosures in the last quarter alone (month ending September, 2008) and L.A. County has experienced a 222% increase in the number of foreclosures compared to last year. Some areas of L.A. County (some zip codes in Glendale, Long Beach and Montebello) experienced a 1000% or more increase in foreclosures compared to last year and it is estimated that 1 in every 169 homes in L.A. County is affected by foreclosure. Not all people facing foreclosures are homeowners — rather a significant number are renters of properties being foreclosed on. In California, it is estimated that a quarter of all foreclosed single-family homes are renter occupied. Since L.A. County has a higher portion of renters (51%) than California (42%) or the nation (33%), dislocations that go hand in hand with foreclosures potentially affect L.A. County at a greater degree than the state or the nation. The greatest dislocations that people face in foreclosures are eviction leading to homelessness. According to a national survey of local and state homeless coalitions published by the National Coalition for the Homeless, 54% of respondents stated that people who were being foreclosed on were ending up in emergency shelters. According to the same survey, nearly 61% of homeless coalitions nationwide had seen an increase in the numbers of homeless persons since the start of the foreclosure crisis in 2007.

Below is a snapshot of how the housing market has affected L.A. County in the last year:

**FIGURE 10**

![Percentage Change in Foreclosures in L.A. County from Second Quarter 2007 to Second Quarter 2008](source)

Source: Data used is from the Los Angeles Times Online, Accessed 10.1.08

*No data provided: much of area comprises the Angeles National Forest.*
• **Expand the EITC program.** The Earned Income Tax Credit was introduced in 1975 to provide targeted tax relief to low-income families who are working. One of the most successful anti-poverty programs in the last 30 years, EITC provides a refund of up to $4,716 to low-income families (based on earned income and household size). Expanding the program would create extra income for households. Creating a state program would also boost the incomes of struggling families in California. (EITC is a federal tax credit, but individual states have also developed their own EITC programs.)

• **Create and advocate for jobs that provide decent pay.** Create job development programs in selected growth industries that place people on career ladders and track their progress.

• **Create more affordable housing units.** According to the Southern California Association of Governments, L.A. County needs over 70,000 units of affordable housing for low-income residents. It is imperative that housing be affordable to the majority of working people; currently many people are forced into poverty due to their simple need to secure shelter and avoid homelessness. A society which forces its citizens to spend an inordinate amount of income just to secure shelter is ultimately poor and unproductive — it leaves people little else to spend on other essentials such as food, health care, transportation, and education, not to mention other consumer goods that make up a healthy and sustainable economy.

• **Advocate for and create policies for every child to have the opportunity to go to college.** According to the American Community Survey, Bureau of the U.S. Census in 2007, 70% of adults (age 25 to 64) who were in poverty did not have a college degree. It is therefore vital to ensure that every high school student has access to college prep courses (called A-G courses in California). Currently many students (especially students from minority and poor communities) do not have access to A-G courses. Successful completion of these courses (which include subjects such as math, the sciences, English language arts, and social sciences) is necessary for eligibility for the UC or Cal State systems.
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Acknowledgments

Joseph Martinez is the author and the Policy Research Analyst at United Way of Greater Los Angeles (UWGLA). The author would like to thank Alicia Lara, Vice President of Community Investment at UWGLA and Dr. Ed Khashadourian, Program Officer at UWGLA, as well as Dr. Bill Pitkin of the Hilton Foundation for their valuable input and advice on this brief. Other thanks to staff at United Way of Greater Los Angeles goes to Jennifer Arceneaux, Kayla Kitson, Nadine Messier, Walen Ngo, Elaine Whelan, Taulene Ayoub, and Liz Mason. Any shortcomings and errors are solely those of the author.

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Please direct your questions/comments to:
Joseph Martinez, Research and Policy Analyst
United Way of Greater Los Angeles, Poverty Resource Center
523 West Sixth Street, Suite 345
Los Angeles, CA 90014
213-808-6220
research@unitedwayla.org
www.unitedwayla.org
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