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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

PRESENTATION BY

Dr. Dowell Myers

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Topic: Changes in the Demographics of Los Angeles County and the Impact on County Functions

May 6, 2004

Commissioner Petak, a colleague of Dr. Myers, introduced him and welcomed him to the Commission.

The Scope of the Presentation

Dr. Myers stated that he would discuss the immigration turn-around in Los Angeles County, and its future implication in terms of housing and services provided by the County, such as healthcare and public transportation.

“The California Demographic Futures Project”

As part of the 5-year “The California Demographic Futures Project,” a new resource will be unveiled at a conference on demographics to be held at the University of Southern California on May 24th. The project can be found on the USC School of Policy, Planning and Development’s website: <http://www.usc.edu/schools/sppd/futures/>. The conference will include presentations of demographic projections from the Census Bureau and the Department of Finance, along with projections from Dr. Myers. The Census Bureau and the Department of Finance both use a traditional method of population projection based on the populations found in the mid- 20th century, when there was a lack of significant immigration. Dr. Myers includes recent immigration populations in his projections, and most significantly, differentiates between the percentage of the California population, particularly in Los Angeles, that is native born and foreign born.

The methodology used by Dr. Myers predicted the change in immigration that took place between 1990 and 2000. Unfortunately, others have overlooked the importance of this turn-around or have been slow to recognize the implications and issues that are raised. It is clear that the demographics are changing, and populations are growing older. The Government of California needs accurate data in order to plan ahead and be able to deliver the services that will be needed in the near future.

Population Growth in California and Los Angeles County

During 1970s there was very little population growth in California. In the 80s there was an explosion in growth, followed by another slump in the 90s. Currently, California is experiencing a lack of expected resurgent growth in the 2000s. This is true of the rest of the United States as well, but the lack of growth is particularly dramatic in California, and even more so in Los Angeles County.

Since 2000, California's attraction to new immigrants has declined, while the state's share in the total immigrant population in the U.S. has also declined. The reduction in California's immigrant population has had a positive impact in a number of ways. For instance, poverty rates have decreased. Compared to other states, California still has double our share of immigrant population, but this is down from the previous triple rate. Also, immigrant populations have spread out to many other states, which generates significantly more interest in Washington. This has made it easier for California to build a coalition to better deal with the problems and benefits of immigration.

The Immigration Turn-around

During the recession of the 1990s, immigrants realized that there were better job, housing and quality of life opportunities outside of California, and began immigrating there. Despite California's recent recovery, this trend has continued. Currently the immigration rate is 10% in California, with it unlikely to return to the high rate of immigration experienced during the 70s and 80s. As a more "normal" rate of immigration it should be relatively permanent and has built into projections. However, others in the field have based their projections for the future on previous immigrant population surges, which is likely not to occur again, at least not in the next few decades.

In 1990, 18%, or 1/5 of the population in Los Angeles County, were new immigrants who had arrived within the previous 10 years. Half of all the foreign born were new immigrants. In 2000 the percent dropped, and the new immigrant share is now tending below 10%. As the recession ended in the early 2000s, a new and more favorable demographic emerged. The settled immigrant share is increasingly dramatically in numbers. This trend is a great asset and a fortuitous trend which should continue over the next few decades. The demographic is more established, more economically stable, and can help new immigrants to better integrate.

Healthcare

The key to projecting insurance coverage of immigrants is based on how long individuals have been here. The longer an immigrant has been established in the United States, the more likely that individual is to have insurance. This implies an underlying change in the propensity of immigrants to rely on emergency room healthcare, a practice which has led to rising healthcare costs for everyone. Because the healthcare industry is currently undergoing extreme structural changes, it is difficult to project the ultimate impact this will have on California's healthcare system. However, the basic population dynamics are highly favorable right now.

Public Transportation System

Public transit system projections are not so favorable. New immigrants are far more likely to ride the bus than those who have been here 10 years or longer. New immigrants, women in particular, are heavy transit users until they assimilate into the middle class, and begin to own and drive cars like native-born Californians. The solution to this transportation dilemma would be to encourage native-born persons to use transit, which would fundamentally change the whole California transportation culture.

Poverty

In the 1970s newcomers were showing up poorer and in greater numbers, which made for very bleak projections. Because of the aging of the immigrant population, Dr. Myers projected that the poverty rate would go down. The projection was correct, and the trend has thus far been that as each new immigrant population settles in, the overall poverty rate of immigrants goes down. We have turned the corner on poverty.

Home Ownership

The longer immigrants have been in California, the higher the rates of home ownership. Latinos who have been in the United States for 30 years have a 70% rate of home ownership. When we look at these high numbers, we can see why it is important to make a distinction between new immigrants and settled immigrants. However, there is currently a housing collapse in California, which is a major challenge to home ownership. Immigrants are now assimilating and wanting housing, but California, particularly Los Angeles, is neither prepared nor willing to build more housing. The housing bust has gone on for an unusually long number of years, and the boom that was predicted never happened. This pattern resembles that of California during the Great Depression. In addition, the housing that would be most beneficial to the growth of communities and the reduction of sprawl -- multi-family housing -- is not being built and has in fact dried up the most. The baby boom generation grew older, but was not supporting multi-family housing construction, and then they had kids. In the last several years every state in the nation suffered a housing setback to some degree, but vacancy rates are still the lowest in California at 3%. To make matters worse, those that are making the policies and guiding development are people in their 30s who have not witnessed much construction in their adult years due to the abnormally long period of the construction downturn. They assume that this is normal, and are resistant to new home construction. According to the Department of Housing & Urban Development, however, we need to build 220,000 units a year until 2015. So far, even in the highest year, we haven't had over 180,000 units built.

Housing Alternatives and the Aging Population

Los Angeles County does not have the land to build the single family houses that most people, including immigrants, say they want. However, if they are presented with options with good tradeoffs, people are open to other housing alternatives. For example, a significant percentage of people would be willing to forego the single family home for a smaller house with a shorter commute, 50% would choose clustered housing with parks and a greenbelt, and 33% would choose a condo or apartment close to shopping and transportation. Few people wanted the option of a larger house in the suburbs with a big yard, but with a long commute.

The needs and preferences of the aging are important considerations as we look at the immigrant demographic changes over the next few decades. As potential home-buyers age, location and quality of schools, for example, begin to lose importance, while proximity to shopping is of greater concern. Young people desire the single family homes in the suburbs, but the older population (65 and up) wants the townhouse. The baby boom generation is now getting older, which adds to the aging population. Their children, now grown, however, will be flooding the age in which apartments are most desired.

Implications for California/Solutions

The immigration turn-around and the aging of the baby boomer population are positive changes, but will change the state of affairs from what we are used to. We need to plan for demographic futures. The project undertaken by Dr. Myers involves developing those projections and graphically demonstrating the changes, particularly in Los Angeles County, in Southern California and the State of California (3 distinct areas). The focus is on how we are changing, who are we, and linking the demographic changes to the implications of differing outcomes, including poverty rates. In addition to his demographic projections, Dr. Myers is active in education and work force training.

Commissioner Questions

Commissioner Hill wanted to know if Dr. Myers agreed with the LA Times article that reported that one of every two Hispanics in Los Angeles County is an immigrant. Dr. Myers responded that he had not read the article, and could not answer the question specifically in regard to Los Angeles County. However, his data from 2000 for the entire United States suggested that approximately 60% of Hispanics are immigrants. He also pointed out that all immigrants are not equal – they are all born outside of the United States, but the age at which they arrive is a critical factor in their future assimilation. For example, an immigrant child of 5 years is essentially equivalent to a native born person.

Commissioner Thierer asked how the decline in the rate of new multi-housing units correlates to the advent of rent control (particularly in the City of Santa Monica). Dr. Myers replied that a tax reform act of 1986 had a stimulating effect on new housing as developers wanted to get in as much new construction as possible before the law went into effect. This had a great impact all over the US. In regard to Santa Monica specifically, there is a lack of land, which is a far greater impediment to growth. Dr Myers added that he believed that the current administration under Governor Schwarzenegger has the potential to benefit California in respect to housing and development.

Commissioner Thierer wanted to know more about the changing age demographics in Los Angeles County. Dr. Myers responded that it is getting a lot older. The elementary school age population is dropping. Although officials knew this would happen, it is happening faster than expected. Also, the immigrant population is aging, which no one anticipated, because immigrants are thought of as being new and young, not settled and aging. Baby boomers are also aging, and their children are moving out.

Commissioner Hill suggested that this indicates a growing need for senior citizen population housing and other needs. Dr. Myers agreed, and added that we want to keep more of our senior citizen population here, if possible, although there is a concern over the impact on the labor force after 2020. The potential problem is too many seniors and not enough workers. Also, those younger workers replacing the mostly college-educated baby boomers may not be college educated themselves, aggravating the situation.

Commissioner Sylva commended Dr. Myers on his distinction between settled and new immigrants, which she thought was a telling dynamic. She wanted to know how and from where he gathered this data. Dr. Myers replied that his research is based on existing data, which everyone has access to, but has not thoroughly reviewed.

Chairman Philibosian thanked Dr. Myers for taking time out of his busy schedule to make this presentation to the Commission. He emphasized both his appreciation and the contribution that this information has made to the Commission's understanding of the current and future demographic reality of Los Angeles County, and commented that this data would be useful in future Economy and Efficiency Commission proceedings.

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