



The Economy, Goods Movement, and Your Job in Southern California: What You Need to Know

Southern California Faces an Economic Challenge

- By 2030 forecasters expect the current population to increase from 21.3 million to 26.8 million.
- Currently 43.8% of adults age 25 and over have never attended a single college class.
- Higher paying jobs are leaving California as the manufacturing sector shrinks, while sectors with jobs averaging \$12,000 lower pay are growing.
- From 1987-2003, the Southern California Association of Governments (SCAG) found that its area has fallen from a rank of fourth in per capita income of the 17 multi-county places in the U.S. to 17th and lowest. This means that its per capita income growth has not matched that of the other major American regions.
- The region lost 488,700 jobs in the 1990-1993 period. Much of this reduction occurred in its high paying aerospace/defense manufacturing base. With average manufacturing pay at \$47,486 per job in 2004, the sector has been largely responsible for Southern California's declining sectors removing 381,000 jobs with an average pay of \$47,819.

A Logistical Solution

- The logistics sector has the essential characteristics that can allow it to replace manufacturing as a source of jobs to workers with no training or experience.
- Logistics offers workers defined career paths by which they can graduate to pay levels of well over \$40,000 per year. It offers median beginning pay at 32.1% above the minimum wage (\$8.91 or \$18,542 per year) to workers with virtually no training or experience.
- Multiplier Effect – Each new job in the logistics industry supports 2.19 jobs in the economy. A \$1.00 increase in logistics activity sets off a total of 1.97 times that amount in the local economy.
- International trade was a significant source of new jobs in the LA Region (5 county area)¹:
 - o Added 35,000 jobs in 2006
 - o In 2006 International Trade employed over 485,000 people or about 6.8% of the non-farm employment

¹ LAEDC report "International Trade Trends & Impacts: The Southern CA Region" (May 2007)

- Many of the jobs are high wage, including vessel operation, surface transportation (rail and truck), air cargo, customs brokers, insurance and government agencies, etc.
- Combined, there are 661,850 logistics workers in Southern California in second quarter 2005. Quarterly payroll was \$7,844,767,794 or an average of \$47,411 per worker per year with the highest mean annual pay level of \$71,871 in the small rail transportation sector.
- In summary, the logistics sector offers Southern California a route to meeting its primary economic challenge of providing serious job growth to an economically vulnerable segment of its workforce.

Table 29: The Economic Base of the Los Angeles Five-County Area (2006)

The "Export" Industries

(Annual average employment in 000s)	Los Angeles	Orange	Riv.-San Bern.	Ventura	5-Co. Total	San Diego
Tourism	267.4	123.5	96.6	20.3	507.8	110.2
Direct international trade ¹	315.1	---	---	---	485.1	47.0
Technology ²	225.5	106.2	17.8	11.7	361.2	73.1
Financial services ³	196.5	104.6	29.5	10.5	341.1	50.6
Wholesale trade/logistics ⁴	170.1	67.2	34.4	9.0	280.7	6.2
Business & professional services	178.1	63.4	24.1	9.2	274.8	30.4
Motion picture/TV production	254.3	5.0	3.0	0.9	263.2	36.3
Health services/bio-medicine	125.3	51.5	39.2	14.1	230.1	16.1
Agric./food products manufacturing	63.9	14.8	19.5	20.9	119.1	4.1
Fabricated metal products	58.9	27.5	19.1	5.6	111.1	58.4
Apparel/textiles design, mfg. & wholesaling	94.5	12.8	1.9	0.8	110.0	8.7
Furniture manufacturing & wholesaling	65.6	9.6	10.1	1.1	86.4	4.6
Higher education ⁵	42.8	10.0	7.5	0.0	60.3	16.0
Auto parts manufacturing & wholesaling	23.7	9.6	10.4	1.1	44.8	2.3
U.S. Department of Defense	3.1	1.0	5.7	4.7	14.5	12.0
Jewelry manufacturing & wholesaling	11.9	0.7	0.2	0.1	12.9	18.7
Indian gaming	0.0	0.0	8.9	0.0	8.9	1.0
Petroleum production & refining	5.9	0.6	0.0	0.8	7.3	0.4
Toy manufacturing & wholesaling	5.8	0.7	0.1	0.0	6.6	0.2

Source :LAEDC Report: 2007-2008 Economic Forecast and Industry Outlook: Mid Year update

Jobs and the Economy by Sector²

Rail

- Rail transportation contributed 9,023 jobs in 2004 to overall employment in Southern California, and had an estimated payroll of \$648,491,675 in 2005.
- The average national pay in 2004 was \$69,637 per year, if pay levels grew at the 3.2% gain in U.S. Consumer Price Index from 2004-2005, the average rail salary would be estimated at \$71,871 in 2005.
- Mean annual pay for a rail employee is ~42% higher than that of the next highest paying sector (wholesale trade) and 52% higher than the average for the logistics sector.
- For every \$1 invested in California's rail transportation sector from outside the state, \$1.82 is generated for California's economy.

² Husing, John. Multi County Goods Movement Action Plan (MCGMAP): Draft Technical Memorandum 5a – Economic Benefits and Costs of Growth in Goods Movement, August 2, 2006

Wholesalers

- Wholesale contributed to an estimated 407,771 workers in second quarter 2005. The quarterly payroll was \$5,168,836,264 or an average of \$50,703 per worker per year.
- In 2005, wholesale represented 61.6% of employment in the logistics group and 65.9% of its payroll.
- For every \$1 invested in California's wholesale sector from outside the state, \$1.95 is generated for California's economy.

Trucking

- Trucking contributed to an estimated 63,847 workers in second quarter 2005, including self employed drivers. The quarterly payroll was \$618,143,893 or an average of \$38,827 per worker per year.
- The sector represented 9.6% of jobs in the logistics group and 7.9% of its payroll.
- For every \$1 invested in California's trucking sector from outside the state, \$2.11 is generated for California's economy.

Warehousing

- Warehousing contributed to an estimated 36,425 workers in second quarter 2005. The quarterly payroll was \$362,442,805 or an average of \$39,802 per worker per year.
- The sector represented 5.5% of employment in the logistics group and 4.6% of its payroll.
- For every \$1 invested in California's warehousing sector from outside the state, \$1.84 is generated for California's economy.

Air Transport

- Air Transport contributed to an estimated 25,561 workers in second quarter 2005. The quarterly payroll was \$308,389,778 or an average of \$48,259 per worker per year.
- The sector represented 3.9% of employment in the logistics group and 3.9% of its payroll.
- For every \$1 invested in California's air transport from outside the state, \$2.05 is generated for California's economy.

Water Transportation

- Water transportation contributed to an estimated 1,876 workers in second quarter 2005. The quarterly payroll was \$19,602,709 or an average of \$41,797 per worker per year.
- The sector represented 0.3% of employment in the logistics group and 0.2% of its payroll.
- For every \$1 invested in California's water transportation sector from outside the state, \$ 1.85 is generated for California's economy.

The San Pedro Ports – A snapshot³

- More than 230,000 jobs are supported directly and indirectly by port operations. \$11.4 billion in wages and salaries for jobs supported by port activity in Los Angeles County.
- Goods coming through the ports generated:
 - \$5.4 billion in U.S. customs revenues in fiscal 2004
 - \$4.9 billion in local and state tax revenues
 - \$14.5 billion in annual trade-related wages

A National Role for Trade⁴

- Trade drives growth – imports and exports fuel our economy at a rate that is doubling every ten years.
- In 1970, trade was 12.4% of U.S. gross domestic product (GDP). Today, it is over 25%.
- Shipment of containerized cargo in and out of the U.S. will increase by more than 350% by 2020.
- To handle these increased loads, truck traffic, measured in vehicle miles traveled (VMT) will increase by 200 billion miles and rail shipments of freight are projected to grow by 1 billion tons.
- Acceleration of trade combined with domestic growth has created millions of new job opportunities and a higher standard of living for Americans.
- Nearly 12.7 billion metric tons of goods and raw materials valued at \$8 trillion moved over the U.S. transportation system in 1997 (the last year for which statistics.

Maintaining Integrity in the Goods Movement System

- System design must balance the needs of shippers, transporters, commuters, adjacent communities, regulators, and many other stakeholders.
- Altering one part of the system can cause disruption to the entire goods movement system of ship, rail, and truck operations throughout California.
- Unintended economic and environmental consequences of various public policy choices must be squarely addressed (Mode Shift, Port Shift, or Country Shift).
- Faced with multiple options and destinations, supply chain managers must consider factors such as product characteristics plus time in transit and the amount of current inventory at the destination. Though mode decisions are usually made on a least-cost basis, other factors such as inventory shortages or end of the month sales may prompt use of an air carrier instead of rail. The dollar value of goods also plays a role with lightweight high-value goods more likely to travel by air, and bulky lower cost items by rail or truck.⁵

³ Port of Long Beach Economic Impact Report 2005

⁴ Coalition for America's Gateways and Trade Corridors <http://www.tradecorridors.org/factsfigures.html>

⁵ 5.1.6.7.2 Transportation Mode Selection, Multi County Goods Movement Action Plan (MCGMAP): Draft Technical Memorandum 5a – Economic Benefits and Costs of Growth in Goods Movement Revised