

Reading 25

JOBLESS GHETTOS

The Social Implications of the Disappearance
of Work in Segregated Neighborhoods

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In 1950, a substantial portion of the urban black population was poor but working. Urban poverty was quite extensive, but people held jobs. However, in many inner-city ghetto neighborhoods in 1990, most adults were not working in a typical week. For example, in 1950, 69 percent of all males 14 and over held jobs in a typical week in the three neighborhoods that represent the historic core of the Black Belt in Chicago—Douglas, Grand Boulevard, and Washington Park. But by 1990, only four in ten in Douglas worked in a typical week, one in three in Washington Park, and one in four in Grand Boulevard. In all, only 37 percent of all males 16 and over held jobs in a typical week in these neighborhoods.

The disappearance of work has had devastating effects not only on individuals and families but also on the social life of neighborhoods as well. Inner-city joblessness is a severe problem that is often overlooked or obscured when the focus is mainly on poverty and its consequences. Despite increases in the concentration of poverty since 1970, inner cities have always featured high levels of poverty, but the levels of inner-city joblessness reached in 1990 were unprecedented.¹

It should be noted that when I refer to “joblessness” I am not solely referring to official unemployment. The unemployment rate represents only the *official* labor force—that is, those who are actively looking for work. It does not include those who are outside of or have dropped out of the labor market, including the nearly 6 million males age 25–60 who appear in the census statistics but do not show up in the labor statistics.²

These uncounted males in the labor market are disproportionately represented in the inner-city ghettos. A more appropriate measure of joblessness that takes into account both official unemployment and non-labor force participation is the employment-to-population ratio, which corresponds to the

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percentage of adults 16 and older who are working. In 1990, for example, only one in three adults ages 16 and older held a job in the ghetto poverty areas of Chicago, representing roughly 425,000 men, women, and children. And in the ghetto tracts of the nation's 100 largest cities, for every ten adults who did not hold a job in a typical week in 1990, there were only six employed persons.

The consequences of high neighborhood joblessness are more devastating than those of high neighborhood poverty. A neighborhood in which people are poor, but employed, is much different from a neighborhood in which people are poor and jobless. Many of today's problems in the inner-city ghetto neighborhoods—crime, family dissolution, welfare, low levels of social organization, and so on—are fundamentally a consequence of the disappearance of work.

It should be clear that when I speak of the disappearance of work, I am referring to the declining involvement in or lack of attachment to the formal labor market. It could be argued that the general sense of the term "joblessness" does not necessarily mean "non-work." Many people who are officially jobless are nonetheless involved in informal activities, ranging from unpaid housework to income from work in the informal or illegal economies.

Housework is work; baby-sitting is work; even drug dealing is work. However, what contrasts work in the formal economy with work activity in the informal and illegal economies is that work in the formal economy has greater regularity and consistency in schedules and hours. The demands for discipline are greater. It is true that some work activities outside the formal economy also call for discipline and regular schedules. Several studies reveal that the social organization of the drug industry is driven by discipline and a work ethic, however perverse. However, as a general rule, work in the informal and illegal economies is far less governed by norms or expectations that place a premium on discipline and regularity. For all these reasons, when I speak of the disappearance of work, I mean work in the formal economy, work that provides a framework for daily behavior because of the discipline and regularity that it imposes.

Thus, a youngster who grows up in a family with a steady breadwinner and in a neighborhood in which most of the adults are employed will tend to develop some of the disciplined habits associated with stable or steady employment—habits that are reflected in the behavior of his or her parents and of other neighborhood adults. These might include attachment to a routine, a recognition of the hierarchy found in most work situations, a sense of personal efficacy obtained through the routine management of financial affairs, endorsement of a system of personal and material rewards associated with dependability and responsibility, and so on. Accordingly, when this youngster enters the labor market, he or she has a distinct advantage over the youngsters who grow up in households without a steady breadwinner and in neighborhoods that are not organized around work—in other words, a milieu in which one is more exposed to the less-disciplined habits associated with casual or infrequent work.

In the absence of regular employment, a person lacks not only a place in which to work and the receipt of regular income but also a coherent

organization of the present—that is, a system of concrete expectations and goals. Regular employment provides the anchor for the spatial and temporal aspects of daily life. It determines where you are going to be and when you are going to be there. In the absence of regular employment, life, including family life, becomes less coherent. Persistent unemployment and irregular employment hinder rational planning in daily life, a necessary condition of adaptation to an industrial economy.³

EXPLANATIONS OF THE GROWTH OF JOBLESS GHETTOS

What accounts for the growing proportion of jobless adults in inner-city communities? An easy explanation would be racial segregation. However, a race-specific argument is not sufficient to explain recent changes in such neighborhoods. After all, these historical Black Belt neighborhoods were just as segregated by skin color in 1950 as they are today, yet the level of employment was much higher then. One has to account for the ways in which racial segregation interacts with other changes in society to produce the recent escalating rates of joblessness.

The disappearance of work in many inner-city neighborhoods is in part related to the nationwide decline in the fortunes of low-skilled workers. Over the past two decades, wage inequality has increased sharply and gaps in labor market outcomes between the less- and more-skilled workers have risen substantially. Research suggests that these changes are the result of "a substantial decline in the relative demand for the less-educated and those doing more routinized tasks compared to the relative supply of such workers."⁴ Two factors appear to have reduced the relative demand for less-skilled workers—the computer revolution (i.e., skill-based technological change) and the internationalization of economic activity. Inner-city workers face an additional problem—the growing suburbanization of jobs. Most ghetto residents cannot afford cars and therefore rely on public transit systems that make the connection between inner-city neighborhoods and suburban job locations difficult and time consuming.

Although the relative importance of the different underlying causes of the growing jobs problems of the less-skilled, including those in the inner city, continues to be debated, there is little disagreement about the underlying trends. They are unlikely to reverse themselves.⁵

Changes in the class, racial, and demographic composition of inner-city neighborhoods have also contributed to the high percentage of jobless adults in these neighborhoods. Because of the steady outmigration of more advantaged families, the proportion of non-poor families and prime-age working adults has decreased sharply in the typical inner-city ghetto since 1970. These changes have made it increasingly difficult to sustain basic neighborhood institutions or to achieve adequate levels of social organization. The declining presence of

working- and middle-class blacks has also deprived ghetto neighborhoods of key resources, including structural resources, such as residents with income to sustain neighborhood services, and cultural resources, such as conventional role models for neighborhood children.

It is not surprising therefore that our research in Chicago revealed that inner-city ghetto residents share a feeling of little informal social control of their children. A primary reason is the absence of a strong organizational capacity or an institutional resource base that would provide an extra layer of social organization in their neighborhoods. It is easier for parents to control the behavior of the children in their neighborhoods when a strong institutional resource base exists and when the links between community institutions such as churches, schools, political organizations, businesses, and civic clubs are strong or secure. The higher the density and stability of formal organizations, the less illicit activities such as drug trafficking, crime, prostitution, and the formation of gangs can take root in the neighborhood.

It is within this context that the public policy discussion on welfare reform and family values should be couched. Our Chicago research suggests that, as employment prospects recede, the foundation for stable relationships becomes weaker over time. More permanent relationships such as marriage give way to temporary liaisons that result in broken unions, out-of-wedlock pregnancies and births, and, to a lesser extent, separation and divorce. The changing norms concerning marriage in the larger society reinforce the movement toward temporary liaisons in the inner city, and therefore economic considerations in marital decisions take on even greater weight. The evolving cultural patterns are seen in the sharing of negative outlooks toward marriage and toward the relationships between males and females in the inner city, outlooks that are developed in and influenced by an environment featuring persistent joblessness. This combination of factors has increased out-of-wedlock births, weakened the family structure, expanded the welfare rolls, and, as a result, caused poor inner-city blacks to be even more disconnected from the job market and discouraged about their role in the labor force. The economic marginality of the ghetto poor is cruelly reinforced, therefore, by conditions in the neighborhoods in which they live.

In the eyes of employers in metropolitan Chicago, the social conditions in the ghetto render inner-city blacks less desirable as workers, and therefore many employers are reluctant to hire them. One of the three studies that provided the empirical foundation for *When Work Disappears* included a representative sample of employers in the greater Chicago area who provided entry-level jobs. An overwhelming majority of these employers, both white and black, expressed negative views about inner-city ghetto workers, and many stated that they were reluctant to hire them. For example, a president of an inner-city manufacturing firm expressed a concern about employing residents from certain inner-city neighborhoods:

If somebody gave me their address, uh, Cabrini Green, I might unavoidably have some concerns. [Interviewer: What would your concerns be?] That the poor guy probably would be frequently

unable to get to work and . . . I probably would watch him more carefully, even if it wasn't fair, than I would with somebody else. I know what I should do though is recognize that here's a guy that is trying to get out of his situation and probably will work harder than somebody else who's already out of there and he might be the best one around here. But I, I think I would have to struggle accepting that premise at the beginning.

In addition to qualms about the neighborhood milieu, employers frequently mentioned concerns about applicants' language skills and educational training. An employer from a computer software firm expressed the view "that in many businesses the ability to meet the public is paramount and you do not talk street talk to the buying public. Almost all your black welfare people talk street talk. And who's going to sit them down and change their speech patterns?" A Chicago real estate broker made a similar point:

A lot of times I will interview applicants who are black, who are sort of lower class. . . . They'll come to me and I cannot hire them because their language skills are so poor. Their speaking voice for one thing is poor. . . . They have no verbal facility with the language . . . and these . . . you know, they just don't know how to speak and they'll say "salesmens" instead of "salesmen" and that's a problem. . . . They don't know punctuation, they don't know how to use correct grammar, and they cannot spell. And I can't hire them. And I feel bad about that and I think they're being very disadvantaged by the Chicago public school system.

Another respondent defended his method of screening out most job applicants on the telephone on the basis of their use of "grammar and English."

I have every right to say that that's a requirement for this job. I don't care if you're pink, black, green, yellow, or orange, I demand someone who speaks well. You want to tell me that I'm a bigot, fine, call me a bigot.

Finally, an inner-city banker claimed that many blacks in the ghetto "simply cannot read. When you're talking our type of business, that disqualifies them immediately. We don't have a job here that doesn't require that somebody have minimum reading and writing skills."

How should we interpret the negative attitudes and actions of employers? To what extent do they represent an aversion to blacks per se and to what degree do they reflect judgments based on the job-related skills and training of inner-city blacks in a changing labor market? I should point out that the statements made by the African-American employers concerning the qualifications of inner-city black workers do not differ significantly from those of the white employers. Whereas 74 percent of all the white employers who responded to the open-ended questions expressed negative views of the job-related traits of inner-city blacks, 80 percent of the black employers did so as well.

This raises a question about the meaning and significance of race in certain situations—in other words, how race intersects with other factors. A key hypothesis in this connection is that, given the recent shifts in the economy, employers are looking for workers with a broad range of abilities: “hard” skills (literacy, numeracy, basic mechanical ability, and other testable attributes) and “soft” skills (personalities suitable to the work environment, good grooming, group-oriented work behaviors, etc.). While hard skills are the product of education and training—benefits that are apparently in short supply in inner-city schools—soft skills are strongly tied to culture and are therefore shaped by the harsh environment of the inner-city ghetto. If employers are indeed reacting to the difference in skills between white and black applicants, it becomes increasingly difficult to discuss the motives of employers: are they rejecting inner-city black applicants out of overt racial discrimination or on the basis of qualifications?

Nonetheless, many of the selective recruitment practices do represent what economists call statistical discrimination. Employers make assumptions about the inner-city black workers *in general* and reach decisions based on those assumptions before they have had a chance to review systematically the qualifications of an individual applicant. The net effect is that many black inner-city applicants are never given the chance to prove their qualifications on an individual level because they are systematically screened out by the selective recruitment process. Statistical discrimination, although representing elements of class bias against poor workers in the inner city, is clearly a matter of race. The selective recruitment patterns effectively screen out far more black workers from the inner city than Hispanic or white workers from the same types of backgrounds. But race is also a factor, even in those decisions to deny employment to inner-city black workers on the basis of objective and thorough evaluations of their qualifications. The hard and soft skills among inner-city blacks that do not match the current needs of the labor market are products of racially segregated communities, communities that have historically featured widespread social constraints and restricted opportunities.

Thus, the job prospects of inner-city workers have diminished not only because of the decreasing relative demand for low-skilled labor, the suburbanization of jobs, and the social deterioration of ghetto neighborhoods, but also because of negative employer attitudes. This combination of factors presents a real challenge to policy-makers. Indeed, considering the narrow range of social policy options in the “balance-the-budget” political climate, how can we immediately alleviate the inner-city jobs problem—a problem that will undoubtedly grow when the new welfare reform bill takes full effect.

PUBLIC POLICY DILEMMAS

To what extent will the inner-city jobs problem respond to macroeconomic levers that can act to enhance growth and reduce unemployment? I include here fiscal policies that regulate government spending and taxation and mon-

etary policies that influence interest rates and control the money supply. If jobs are plentiful even for less-skilled workers during periods of economic expansion, then labor shortages reduce the likelihood that hiring decisions will be determined by subjective negative judgments concerning a group’s job-related traits.

But given the fundamental structural decline in the demand for low-skilled workers, fiscal and monetary policies designed to enhance economic growth will have their greatest impact in the higher-wage sectors of the economy. Many low-wage workers, especially those in high-jobs inner-city neighborhoods who are not in or have dropped out of the labor force and who also face the problem of negative employer attitudes, will not experience any improvement in their job prospects because of such policies.

If firms in the private sector cannot use or refuse to hire low-skilled adults who are willing to take minimum-wage jobs, then the jobs problem for inner-city workers cannot be adequately addressed without considering a policy of public-sector employment of last resort. Indeed, until current changes in the labor market are reversed or until the skills of the next generation can be upgraded before it enters the labor market, many workers, especially those who are not in the official labor force, will not be able to find jobs unless the government becomes an employer of last resort. This argument applies especially to low-skilled inner-city black workers. It is bad enough that they face the problem of shifts in labor-market demand shared by all low-skilled workers; it is even worse that they confront negative employer perceptions about their work-related skills and attitudes.

Prior to the late 1970s, there was less need for the creation of public-sector jobs. Not only was economic growth fairly rapid during periods of expansion, but “the gains from growth were widely shared.” Before the late 1970s, public jobs of last resort were thought of in terms of “a countercyclical policy to be put in place during recessions and retired during recoveries. It is only since the late 1970s that the disadvantaged have been left behind during recoveries. The labor market changes . . . seem to have permanently reduced private-sector demand for less-skilled workers.”⁶

For all these reasons, the passage of the recent welfare reform bill, which did not include a program of job creation, could have negative social consequences in the inner city. Unless something is done to enhance the employment opportunities of inner-city welfare recipients who reach the time limit for the receipt of welfare, they may flood a pool already filled with low-skilled jobless workers.

New research into urban labor markets by Harry Holzer reveals the magnitude of the problem. Surveying 3,000 employers in Atlanta, Boston, and Los Angeles, Holzer found that only 5 to 10 percent of the jobs in central-city areas for non-college graduates require very few work credentials or cognitive skills. This means that most inner-city workers today not only need to have basic reading, writing, and math skills but also need to know how to operate a computer as well. Also, most employers require a high school degree, particular kinds of previous work experience, and job references. Because of

the large oversupply of low-skilled workers relative to the number of low-skilled jobs, many low-educated and poorly trained individuals have difficulty finding jobs even when the local labor market is strong.⁷

The problem is that in recent years tight labor markets have been of relatively short duration, frequently followed by a recession which either wiped out previous gains for many workers or did not allow others to fully recover from a previous period of economic stagnation. It would take sustained tight labor markets over many years to draw back those discouraged inner-city workers who have dropped out of the labor market altogether, some for very long periods of time. We are currently in one of the longest economic recoveries in the last half century, a recovery that has lasted eight years and generated more than 14 million net new jobs and the lowest official unemployment rate in twenty-four years. This sustained recovery is beginning to have some positive effect on the hard-core unemployed. The ranks of those out of work for more than six months declined by almost 150,000 over a two-month period in early 1997. And, as reported in early 1998, the unemployment rate for high school dropouts declined by five points since 1992, from 12 to 7 percent. Two-fifths of this decline has come in the last year.⁸

How long this current period of economic recovery will last is anybody's guess. Some economists feel that this period of tight labor markets will last for at least several more years. If it does it will be the best antidote for low-skilled workers whose employment and earning prospects have been diminished in the late twentieth century. For example, in the inner cities the extension of the economic recovery for several more years will significantly lower the overall jobless rate not only for the low-skilled workers who are still in the labor force but for those who have been outside the labor market for many years as well. It will also enhance the job prospects of many of the welfare recipients who reach the time limit for the receipt of welfare. But, given the decreased relative demand for low-skilled labor, what will happen to all of these groups if the economy slows down? Considering the changing nature of the economy, there is little reason to assume that their prospects will be anything but bleak. Why? Simply because the economic trend that has twisted against low-skilled workers is unlikely to reverse itself, thereby diminishing over the long term their job prospects and earnings.

Concerned about these issues, I sent President Clinton a memorandum in August 1996. I pointed out that, although he has long realized the crucial relationship between welfare reform and job creation and that his initial welfare plan emphasized job creation, the bill he signed had no such provision. I pointed out that to remedy the most glaring defects of the bill, a mechanism for state and local governments to respond to widespread joblessness in the inner cities was essential. I was aware that the president was giving some thought to tax credits and wage subsidies to encourage businesses to hire welfare recipients. I pointed out that although giving subsidies and tax credits to private employers may help, research suggests that subsidies and credits are hardly sufficient by themselves to accomplish this goal.

The track record of private employers is not especially encouraging. Past efforts to subsidize employers to hire welfare recipients and other disadvantaged individuals have generally failed to work on a large scale. For example, during the late 1960s and early 1970s, the federal government funded a program by the National Alliance of Business (NAB) in which employers received a \$3,200 subsidy for each disadvantaged worker, including welfare recipients, they hired (an amount that would be much higher in inflation-adjusted terms today). That effort resulted in a very low take-up rate among employers. Why? Simply because not enough employers have been willing to hire people whom they view as troublesome or "damaged goods." Indeed, a study by the economist Gary Burtless revealed that the low-income individuals who were supposed to be aided were less likely to be hired as a result of a targeted wage subsidy. Employers evidently thought that if the government was willing to subsidize the hiring of these individuals so heavily, they must have serious work-related problems.⁹

Studies also show that when employers do receive a subsidy for hiring such individuals—whether a tax credit or a direct subsidy—the subsidy often rewards employers for hires they would have made anyway. When that occurs, it costs the government money but the number of jobs for this population does not increase.

Although a new study by Lawrence Katz reveals that one tax credit program, the Targeted Jobs Tax Credit, "may have modestly improved the employment rates of economically disadvantaged youth,"¹⁰ an impressive array of other studies over the past two decades suggests that a single approach involving tax credits or wage subsidies will fail to move a significant number of welfare recipients into employment.

In my memorandum to the president, I therefore urged caution in placing too many of his "eggs" in the private-sector job-placement basket. We will need a mix of both private- and public-sector initiatives to enhance employment. In inner cities, where the number of very low-skilled individuals vastly exceeds the number of low-skilled jobs even before welfare reform adds tens of thousands more people to the low-skilled labor pool, a healthy dose of public-sector job creation will be needed. Public jobs can help people shunned by private employers initially to learn acceptable work habits and build an employment record, from which they may be able to graduate to private-sector positions. In order to really make my point clear, I pointed out to President Clinton that I am not suggesting a new federal public works program because I understand the difficulties in getting such a program approved in today's political climate. I am only recommending that he enable governors and mayors to use a mix of private- and public-sector approaches as they see fit, based on local conditions. I pointed out that he could not be criticized for a "big government" approach if he allows state and local officials, so many of whom are now Republicans, to make this choice. Indeed, Governor Tommy Thompson's welfare plan in Wisconsin includes provisions for significant public- as well as private-sector employment.

The president responded that several of my recommendations were already under consideration by his administration. And during the presidential campaign, he outlined a proposal that included both tax credits to companies that hire welfare recipients and \$3 billion to create public and private work slots in localities that have high unemployment and welfare dependency.

However, in the tax bill submitted to Congress on February 6, 1997, the president's proposal to strengthen the welfare-to-work initiative did not include language that would allow governors and mayors to create private or public work slots in areas plagued by high rates of unemployment and welfare receipt. Indeed the focus, although stated in vague language, was entirely on initiatives to place recipients in private-sector jobs, including a larger tax credit for businesses that hire long-term welfare recipients. The new tax credit would allow employers to deduct 50 percent of the first \$10,000 in wages paid to recipients who had been on welfare for at least eighteen months.

The conclusions I draw from the current evidence is that as the president and the Congress take future steps to address the jobs problem for welfare recipients and other disadvantaged workers, they ought not rely on a stand-alone strategy of employer subsidies—either tax credits or wage subsidies. Instead, they ought to consider a mixed strategy that combines employer subsidies with job creation in the public and non-profit private sectors.

It is especially important that this mixed strategy include a plan to make adequate monies available to localities or communities with high jobless and welfare dependency rates. At the same time that the new welfare law has generated a greater need for work opportunities, high-jobless urban and rural areas will have more difficulty placing individuals in private-sector jobs. To create work opportunities for welfare recipients, these areas will therefore have to "rely more heavily upon job creation strategies in the public and private non-profit sectors."¹¹ West Virginia, plagued with a severe shortage of work opportunities, has provided community service jobs to welfare recipients for several years. In Wisconsin, Governor Thompson's welfare reform plan envisions community-service jobs for many parents in the more depressed areas of the state, and the New Hope program in Milwaukee provides community-service jobs for those unable to find employment in the private sector.

Thus, we could face a real catastrophe in many urban areas if steps are not taken soon to enhance the job prospects of hundreds of thousands of inner-city youths and adults.

NOTES

1. Parts of this essay are based on my latest book, *When Work Disappears: The World of the New Urban Poor* (New York: Alfred A. Knopf, 1996), which included three research studies conducted in Chicago between 1986 and 1993. The first of these included a random survey of nearly 2,500 poor and non-poor African-American,

Latino, and white residents in Chicago's poor neighborhoods: a subsample of 175 participants from this survey who were reinterviewed and answered open-ended questions; a survey of 179 employers selected to reflect the distribution of employment and firm sizes in the metropolitan area; and comprehensive ethnographic research, including participant-observation research and comprehensive ethnographic interviews in a representative sample of inner-city neighborhoods.

The second study included a survey of a representative sample of 546 black mothers and up to two of their adolescent children (ages 11 to 16—or 887 adolescents), in working- and middle-class neighborhoods and high-poverty neighborhoods. Finally, the third study featured a survey of a representative sample of 500 respondents from two high-joblessness neighborhoods on the South Side of Chicago and six focus-group discussions involving the residents and former residents of these neighborhoods.

2. Lester Thurow, "The Crusade That's Killing Prosperity," *American Prospect*, March–April 1995, pp. 54–59.
3. Pierre Bourdieu, *Trial et Traumatismes en Algérie* (Paris: Editions Mouton, 1965).
4. Lawrence Katz, "Wage Subsidies for the Disadvantaged," Working Paper 5679, National Bureau of Economic Research, Cambridge, MA, 1996, p. 2.
5. *Ibid.*
6. Sheldon Danziger and Peter Gottschalk, *America Unequal* (Cambridge: Harvard University Press, 1995), p. 174.
7. Harry Holzer, *What Employers Want: Job Prospects for Less-Educated Workers* (New York: Russell Sage Foundation, 1995).
8. Sylvia Nasar, "Jobs Juggernaut Continues Surge: 30,000 Find Work," *New York Times*, March 7, 1998, pp. 1A and 1B.
9. Gary Burtless, "Are Targeted Wage Subsidies Harmful? Evidence from a Wage Voucher Experiment," *Industrial and Labor Relations Review* 39, October 1985.
10. Katz, *op. cit.*
11. Center on Budget and Policy Priorities, "The Administration's \$3 Billion Jobs Proposal," Washington, DC, 1996.

QUESTIONS FOR CRITICAL THINKING

1. How does Wilson's discussion of joblessness impact your own understanding of common notions of unemployment?
2. How does Wilson's discussion of joblessness broaden your comprehension of the functions of regular employment (beyond a paycheck)?
3. Wilson offers some strategies for addressing the problem of joblessness. What do you think of his strategies? What strategies would you offer?