Breaking Down Barriers:

Prospects and policies for linking jobs and residents in the Chicago Empowerment Zone

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Preface

This report analyzes work and job patterns in the Chicago Empowerment Zone. It describes the potential for, and barriers to, linking jobs and residents in these and similar neighborhoods. Like many other targeted economic development programs, the Empowerment Zone program includes the creation and retention of local jobs for local residents among a variety of objectives. Yet little is known about the connection between local jobs and the employment of residents in lower-income urban areas.

Based on an analysis of 1990 journey-to-work data for the Zone, as well as other recent research on urban employment, a number of policy recommendations are made for maximizing the employment impacts of Empowerment Zone efforts. These recommendations concern local Empowerment Zone planning and federal Empowerment Zone law and regulations, as well as other, broader employment-related policies.

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Executive Summary

The federal Empowerment Zone (EZ) program is a comprehensive community development strategy that targets low-income urban areas of up to 20 square miles for job creation, revitalization, and overall improvement in the quality of life of residents. There are currently six urban EZs throughout the country, including one in Chicago, as well as two Supplemental Zones, which have access to some EZ-like funds. The EZ program combines tax credits to firms operating within an EZ based on their employment of EZ residents, accelerated depreciation and low-interest financing for local firms employing minimum levels of EZ residents, and millions in Title XX Social Service Block Grant funds, which are allocated to projects by local EZ governing organizations.[1]

The EZ program represents the largest, recent federal attempt to spur economic development in relatively small, targeted urban areas and, as such, constitutes a major policy thrust in the neighborhood economic development arena. A particular intent of the EZ program is to create job opportunities for residents of EZs. While the guidelines to the program make the point that job opportunities outside the EZ may be as important to the welfare of EZ residents as local jobs -- as indeed they may be -- EZ incentives to firms are aimed at creating job opportunities within the EZ. Thus, the implicit objective of these incentives is to create local job opportunities as a means of reducing unemployment and improving the quality of life of residents.

More generally, neighborhood economic development is often aimed at creating and retaining jobs in low-income urban communities. While this activity can bring benefits to neighborhoods and cities, such as physical improvements and increased confidence in the viability of a community, a major, ultimate objective of these efforts is often improving the employment prospects of residents.

Because labor markets are substantially regional in nature, especially for moderate- and high-skill workers, neighborhood jobs rarely provide sufficient job opportunities for a majority of residents of an area. But, creating nearby jobs may reduce unemployment in an area, especially among less-educated residents, those working part-time, and youth. If relatively good jobs are created to which residents have easier access, the earnings prospects of residents can also be improved. With more jobs in and near a community, more neighborhood residents should be able to work close by, reducing their sometimes arduous commutes.

Because labor markets are substantially regional in nature...neighborhood jobs rarely provide sufficient job opportunities for a majority of residents of an area. But, creating nearby jobs may reduce unemployment in an area...And, with more jobs in and near a community, more neighborhood residents should be able to work close by, reducing their sometimes arduous commutes.

From a community -- and not just individual -- perspective, access to local jobs can also improve the social capital of a neighborhood, leading to a stronger sense of mutual interests between residents and businesses. When residents work at local companies, they share common concerns and are more likely to join forces to address neighborhood problems such as poor schools, crime, and blight.

Neighborhood economic development will further these objectives more if, as local jobs are created or retained, residents are able to access these jobs. Therefore, it is important to understand the various barriers that may keep residents from obtaining new local jobs.

Neighborhood economic development will further these objectives more if, as local jobs are created or retained, residents are able to access these jobs.

The primary purpose of this report is to examine the potential for economic development in the low-income communities of the Chicago EZ to benefit EZ residents. It is important to

[1] Although more generally targeted at the hiring of welfare recipients, the recently announced Work Opportunity Tax Credit (WOTC) also provides a one-time credit to *any* firm hiring EZ residents ages 16-24.

consider how EZ policy and implementation can contribute to employment-related objectives, and to consider appropriate planning, implementation, and policy changes based on existing patterns of access to local jobs. At the same time, it would be a mistake to view the EZ program as a panacea for the employment problems of EZ residents. Too many other, larger policy and economic issues bear on the residents of these areas. Therefore, a secondary goal of this report is to comment on other employment-related policies that affect EZ communities.

Capturing the Benefits of Local Jobs

While central cities have generally witnessed job loss over the last few decades, many inner-city neighborhoods are still surrounded by substantial numbers of jobs, including positions in manufacturing, warehousing and distribution, retail and other industries which employ low- and moderate-skilled workers. In earlier decades, large percentages of jobs in such areas were held by local residents. Employers preferred neighborhood residents to create a stable and reliable workforce.

Neighborhoods where residents worked locally enabled those entering the labor force to use neighborhood social networks to find suitable jobs. While some lower-income urban neighborhoods still have many residents working locally, others exhibit a disconnection between jobs and residents, with almost all of those working in local firms commuting from across the metropolitan area.[2] To the extent that residents have identified better jobs elsewhere, this may not be a problem. But, in many cases, residents are commuting long distances to low-paid jobs far from the neighborhood, or cannot find jobs at all.

[2] Perhaps the best known example is the neighborhood of Red c E Yook, in Brooklyn, New ork. The neighborhood is home to many jobs, but few residents work in the area. Philip Kasinitz and Jan Rosenberg, who have studied the neighborhood, cite social isolation of residents as the chief reason for this. See P. Kasinitz and J. Rosenberg, *Missing the Connection: Social Isolation and Employment on the Brooklyn Waterfront*, Michael Yarrington Center for Democratic Values and Social Change, City University of New ork, 1994.

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If neighborhood job creation and retention are seen as tools for improving the working lives of neighborhood residents directly, then it is important to understand where opportunities for increasing employment at local firms exist. This involves identifying and addressing the likely barriers to employment beyond those of distance.

In the full report, we establish who lives and who works in relatively small, targeted areas. Specifically, we map out the commuting flows into and out of different parts of the Chicago Empowerment Zone (EZ) to understand the degree to which EZ residents work in the EZ and in their own neighborhoods. We compare and contrast the local employment patterns among EZ neighborhoods and provide likely reasons for the differences. We also look at the occupational, industrial, and racial make-up of residents and those working in these areas to discern the effects of skills, networks, and race on where residents work. We provide examples of policy and practice from around the country that address some of the barriers between employers and residents in urban neighborhoods.

Finally, we conclude by drawing from our quantitative and qualitative work implications for EZ and employment-focused neighborhood economic development policy and practice. We make policy recommendations for implementing existing EZ policy and for modifying EZ policy with the ultimate objective of improving access to local jobs for residents of EZ areas. We also consider broader policy issues critical to the future employment prospects of residents of the EZ communities.

The Empowerment Zone Program

The EZ model is substantially different from its older cousin the enterprise zone, a British concept focused on redeveloping blighted areas with little consideration for the impacts on the employment of residents. It is also easily distinguished from earlier U.S. federal proposals, as well as many state enterprise zone programs, that are much less concerned with the distribution of benefits, including jobs, from zone investment than with the creation of jobs regardless of who gets them.

The EZ model places a much higher priority on spurring development that will bring jobs and other benefits to EZ residents as well as encouraging physical investment.

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The principal mechanism contained in the EZ program for reducing unemployment and providing residents with access to EZ jobs is the EZ employment tax credit. The employment tax credit is the single largest incentive targeted directly at the employment of EZ residents. Firms located and doing business in the EZ who employ EZ residents are eligible for a 20 percent tax credit on wages and some job training expenses, up to a maximum credit of $3,000 per worker. This is a substantial credit, especially for modestly skilled workers whose wages are not very large. The EZ credit can be claimed each year the employee is on a firm's payroll. Traditionally, targeted employment credits have been one-time credits for hiring, so that credits only cover the first year's wages.[3]

While the guidelines for the first round of EZs encouraged applicants to create strategic plans that included helping residents find jobs outside the EZ itself, incentives to firms are clearly targeted toward placing residents in EZ jobs. The goal of the credit appears to go beyond reducing unemployment to include increasing the number of EZ residents working in EZ jobs.[4]

The tax-exempt bond financing made available under EZ legislation requires that recipient firms employ at least 35 percent EZ residents. Similar requirements exist for firms seeking accelerated depreciation benefits under the EZ program.

Due to a lack of data and relevant policy-oriented research, little is known about those who currently hold jobs in the existing EZs. Therefore, there is no strong basis on which to determine the existing links between local jobs and residents or the need to develop such links. This report analyzes work and job patterns in the Chicago EZ to understand better the potential for, and barriers to, linking jobs and residents in these and similar neighborhoods.

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The Chicago EZ

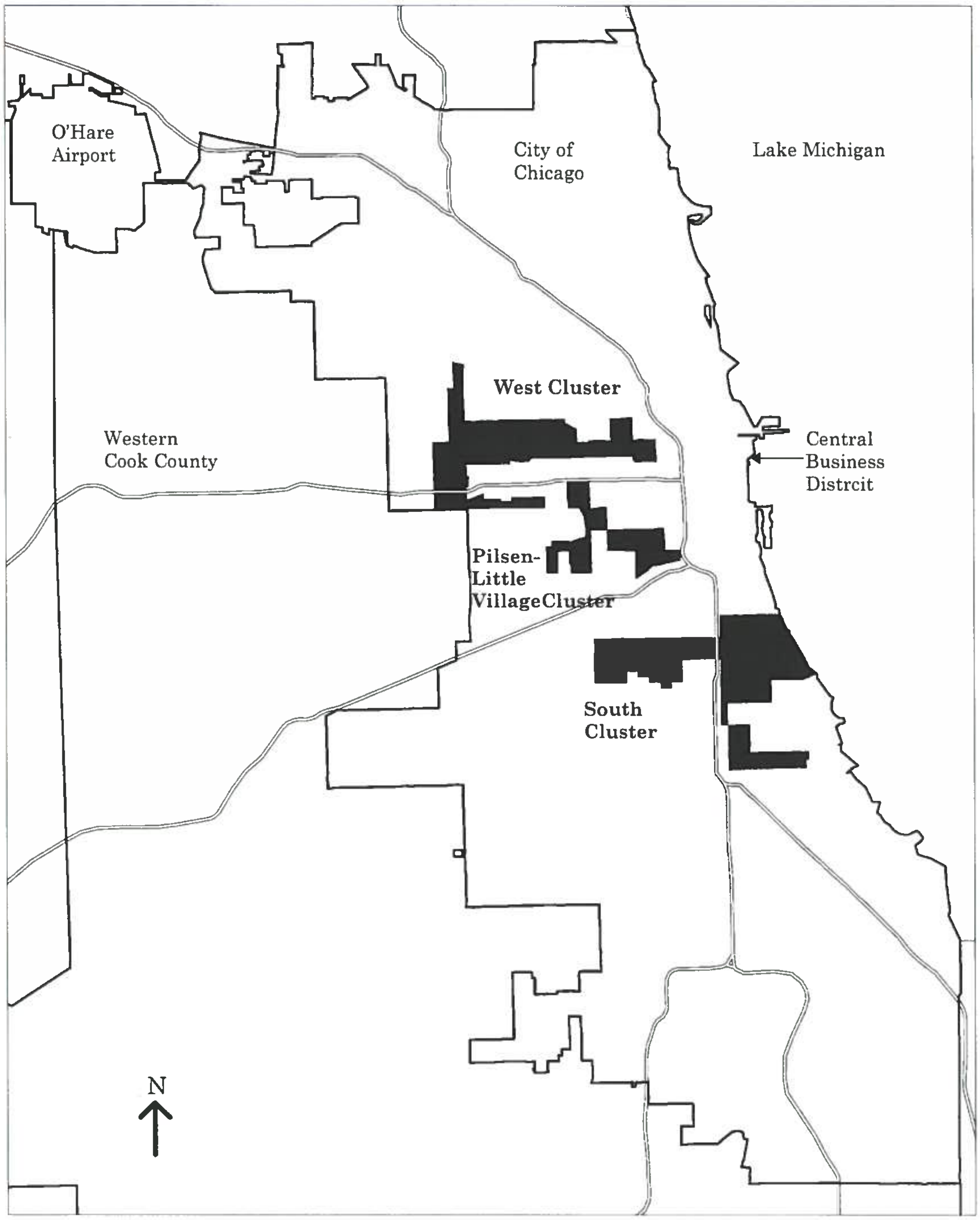
The Chicago EZ, shown in Figure I, is a set of three noncontiguous areas on Chicago's west, near southwest, and south sides that total 14.6 square miles and 199,932 residents as of 1990. The three areas are referred to as the West Cluster, the Pilsen-Little Village Cluster, and the South Cluster.

In total, the EZ is 72 percent African-American and 24 percent Latino, with a 1990 median household income of $17,156. The 1990 unemployment rate for the EZ is 25 percent, compared to a metropolitan unemployment rate of 8 percent. And 50 percent of EZ residents over age 15 are not in the labor force.

[3] The WOTC (the new employment tax credit for hiring welfare recipients) also provides any employer a credit for hiring youth ages 16-24 living in an EZ or Enterprise Community (EC). This is a more traditional one-time credit covering between $2,100-$3,000 of the first year's wages.

[4] The tax credit applies to all employees residing in the Zone, and not just to new hires or the previously unemployed. Thus, even if a firm goes from employing 10 Zone residents before Zone designation to employing 5 after Zone designation, it will be eligible for tax credits on the 5 workers.

Figure I
The Chicago Empowerment Zone



Mapping by the
Center for Neighborhood Technology

Table 1 shows some of the significant differences among the three EZ Clusters. The West and South Clusters are predominantly African-American, while the Pilsen-Little Village Cluster is predominantly Latino. The 1990 unemployment rates of the South and West Clusters are extremely high, at 31 percent and 26 percent respectively.

Yistorically, these west side neighborhoods have been home to many manufacturers and industrial service firms. The Cluster still contains two sizable industrial corridors, one running west from the Near West Side along Kinzie Avenue and one running north through Austin along Kilpatrick Street.

Table 1
1990 Demographics of Chicago EZ Clusters

	West Cluster	Pilsen-Little Village Cluster	South Cluster	Total EZ	9-County* Metro Area
Population	58,334	44,465	97,133	199,932	7,429,181
Mean Household Income	$20,259	$20,968	$14,253	$17,157	$45,786
Unemployment Rate**	26%	15%	31%	25%	8%
Employment Rate***	39%	54%	29%	38%	63%
Percent Not In Labor Force*	47%	36%	58%	50%	32%
Percent African-American	88%	8%	91%	72%	19%
Percent Latino	8%	86%	5%	24%	11%
Percent Adults**** w/o H.S. Diploma	52%	72%	52%	56%	24%

* Cook, DuPage, Lake, McYenry. Kane, Will, Kankakee, Kendall, and Grundy Counties
** For persons ages 16 or older in the labor force
*** For all persons ages 16 and older
**** For persons aged 25 or older

Data calculated from 1990 Census - STF3A

The unemployment rate in the Pilsen-Little Village Cluster is substantially lower at 15 percent, although it is still almost twice the metropolitan rate. Moreover, the portion of persons 16 and older that is employed is substantially higher (54 percent) than in the West Cluster (39 percent) or the South Cluster (29 percent).

The West Cluster is a long narrow string of census tracts that winds its way west from the Near West Side to the Austin community area. Many of these communities went from being predominantly white ethnic to African-American beginning in the 1940s and 1950s. Racial change was accelerated by unscrupulous real estate practices, by white flight, and by the migration of African-Americans from the South.

The Pilsen-Little Village Cluster is characterized by its distinctly Mexican-American cultural identity. The Pilsen side of the Cluster abuts the South Branch of the Chicago River, which was a major draw for industrial development in the nineteenth century. The area remains one of the oldest industrial areas in the city.

The Little Village part of the Cluster lies almost directly west of the Pilsen section. From 1960 to 1980, the area went from being less than 1 percent to 74 percent Latino. With more owner-occupied homes than Pilsen, Little Village also has a higher median income. The Pilsen-Little Village Cluster also contains a small part of the Near West Side community.

The South Cluster is comprised of three relatively distinct parts: the greater Grand Boulevard neighborhood to the northeast; the Stockyards area to the West of the Dan Ryan expressway; and the Woodlawn/Washington Park area to the south. The Grand Boulevard area became home to substantial numbers of African Americans around World War I, when migration from the South was fueled by the need for industrial workers. By 1940, the population of Grand Boulevard was 98 percent African American. The greater Grand Boulevard section also contains parts of the North Kenwood, Douglas and Oakland communities and includes a number of large public housing complexes along State Street.

The Stockyards part of the South Cluster was redeveloped as an industrial park beginning in the 1960s, so that only a small part of the area contains residential property. Of those living in this area, more than 70 percent are Latino (predominantly Mexican-American). The presence of many industrial jobs and the demographic makeup of residents makes the Stockyards area very different from the remainder of the South Cluster.

The Woodlawn/Washington Park section of the South Cluster lies due south of the University of Chicago. The area became predominantly African-American in the 1950s, with racial change occurring rapidly over the decade.

Due to historic segregation, the effects of deindustrialization and central city job loss were concentrated in communities such as the EZ areas, especially in the African-American neighborhoods. The loss of jobs meant the loss of family income and, in turn, community wealth. With disposable income declining, stores and businesses that predominantly served the neighborhoods were hurt. As businesses closed and poverty increased, the quality of neighborhood life deteriorated, leading some of those with options to leave the communities.

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Analyzing EZ Labor Patterns Using Journey-to-Work Data

Traditional sources of socioeconomic data do not provide information on jobs and on where people work at small geographic levels. In Illinois, annual information on jobs covered by unemployment insurance is available only by irregularly shaped and relatively large zip codes, allowing for little customized analysis. These data also give no demographic information on the earnings or race of those working in small areas.

Fortunately, the Census Transportation Planning Package (CTPP), often called the "journey-to-work" data, provides information on residents and those working in small areas. In Chicago these small areas are half-mile-by-half-mile quartersections.[5] The CTPP also gives the number of workers commuting between every pair of quartersections in the metropolitan area. Thus, we use the CTPP to indicate the degree to which residents of EZ neighborhoods work in the EZ, or in different parts of the EZ. We also compare the characteristics of jobs in the EZ to residents to identify potential barriers to local employment of neighborhood residents.

Key Findings

In addressing the potential for employment of EZ residents at EZ firms, it is important to understand the nature of residents and jobs in the area. If the skills of residents do not match the requirements of local jobs, for example, there will be relatively little local employment of residents. Or, if local firms in predominantly minority neighborhoods employ only a trivial number of African-Americans, then discrimination and the dominance of social networks in hiring may be key barriers to local employment.

Table 2 provides a summary of key information on residents and jobs in the EZ clusters, including data on the extent to which residents work in the EZ and the degree to which EZ jobs are

[5] Quartersections do not perfectly match the census-tract-based EZ boundaries, but a strong approximation is made. See full report for details on this issue.

Table 2
Key Facts on Residents and Jobs in the Chicago Empowerment Zone*

	West Cluster	Pilsen-Little Village Cluster	South Cluster	Entire EZ	Metro Area
Number of Employed Residents (16 years and older)	18,708	17,612	20,163	56,483	3,563,603
Percent in Manufacturing Jobs	21%	40%	13%	24%	19%
Percent in Private Sector Jobs	70%	83%	63%	71%	75%
Percent Male	49%	68%	49%	55%	54%
Percent Working in Same Area	8%	12%	13%	14%	n/a
Percent Working in EZ	10%	16%	16%	14%	n/a
Percent of All Residents Who are African American	90%	9%	90%	72%	19%
Percent of All Residents Who are Latino	6%	84%	6%	24%	11%
Number of Local Jobs	35,669	14,721	29,243	79,633	3,635,769
Percent of Jobs in Manufacturing	36%	25%	19%	28%	19%
Percent of Jobs in Private Sector	77%	73%	60%	70%	76%
Percent of Jobs Yeld by Males	63%	63%	55%	60%	55%
Percent of Jobs Yeld by Residents of Same Area	4%	14%	9%	10%	n/a
Percent of Jobs Yeld by Residents of Entire EZ	7%	17%	10%	10%	n/a
Percent of Jobs Yeld by African Americans	29%	19%	43%	32%	14%
Percent of Jobs Yeld by Latinos	19%	36%	14%	20%	10%

* All data from Census 1990 CTPP - Chicago; utilizes approximated Empowerment Zone based on quartersections (see full report for further explanation).

held by residents.[6] From these data, and from analysis contained in the full report, several key findings emerge that have important implications for local EZ planning and implementation, federal EZ policy, and other employment policy concerning inner-city workers:

1) ***In their search for work, residents of the Chicago EZ face many systemic barriers of inadequate skills and skill mismatches, racial discrimination, and a lack of access to social-employment networks. No one single, locally focused program — including the Empowerment Zone — will be able to remedy these large-scale problems by itself.*** Inequities in educational resources have left many inner-city residents without the credentials and skills necessary for today's lower-skill jobs. Only 56 percent of EZ residents over age 24 have high school diplomas or general equivalency degrees. Continuing problems in basic education are persisting in an era when job requirements are accelerating. A substantial majority of new jobs not requiring college education require daily use of arithmetic, reading and writing.[7] Seventy percent of new, non-college, white-collar jobs involve daily computer tasks.

Discrimination in hiring and lack of access to networks have had a particularly strong impact on African-Americans. And social networks, which run along racial and ethnic lines, are key conduits of job information.

Labor-market-wide barriers exist between EZ residents and many firms, regardless of location. These systemic barriers be-

[6] For more detailed information, see the full report.

[7] Yarry Yolzer, *What Employers Want: Job Prospects for Less-Educated Workers*. New ork: Russell Sage Foundation, 1996.

come more immediately apparent when employers are located in EZ neighborhoods. One manifestation of these barriers are large racial differences between residents and those working in the EZ.

EZ policy will not be sufficient to address all of the employment barriers faced by EZ residents. Nonetheless, EZ policy can be a significant component of a larger strategy, involving a broader set of policy issues, to address the employment problems of EZ residents. Many of these policies will be addressed below.

2) ***The African-American EZ neighborhoods, primarily in the West and South Clusters, are confronted by much higher unemployment rates than residents of the Pilsen-Little Village Cluster, despite substantially lower levels of educational attainment among Pilsen-Little Village residents.*** Unemployment was 26 percent in the West Cluster and 30 percent in the South Cluster in 1990, but only 15 percent in Pilsen-Little Village. At the same time, 72 percent of Pilsen-Little Village residents over age 24 did not have a high school diploma or a general equivalency degree, while this rate was only 52 percent for the other two clusters. This inconsistency between unemployment and education levels parallels findings in other research on the greater problems of hiring discrimination and poor access to job networks among African-Americans.

3) ***Despite working more hours per week, employed residents of the Pilsen-Little Village Cluster earn substantially less than employed residents of the other two clusters.*** Earnings of Pilsen-Little Village workers averaged $13,820 in 1990, while residents of the West and South Clusters averaged $16,406 and $16,194, respectively. This is consistent with the educational and occupational differences between the clusters, and with the fact that the higher-paid clusters see more residents employed in public sector jobs, which are relatively well paid.

4) ***Residents of African-American EZ neighborhoods are relatively concentrated in public sector jobs, and in administrative support and low-wage service occupations.*** The public sector has been a critical source of employment for West and South Cluster residents -- and for African-Americans in general. African-Americans have also done better at larger companies versus smaller ones, in part due to affirmative action and diversity programs. Twenty-one percent of West Cluster residents and 24 percent of South Cluster residents work in public sector jobs, compared to 12 percent across the metro area and only 7 percent in Pilsen-Little-Village. Moreover, 21 percent of West Cluster residents and 24 percent of South Cluster residents work in the Chicago central business district, where larger employers are clustered, versus just 14 percent for Pilsen-Little Village.

It is important to note that these occupational patterns are not static. South and West Cluster residents now tend to work in white-collar and service jobs, even though 15 to 20 years ago employed residents of these neighborhoods had worked in manufacturing at high rates.

5) ***Residents of the Pilsen-Little Village Cluster are relatively concentrated in private sector, manufacturing jobs and low-wage occupations.*** Forty percent of employed resident work in manufacturing, compared to 21 percent in the West Cluster and 13 percent in the South Cluster. (The metro rate is 19 percent.) Pilsen-Little Village residents are entrenched in networks that give them access to manufacturing employment, including jobs in the EZ. Only 9 percent of employed residents work in executive, professional and technical jobs, compared to 14 percent in the West Cluster and 18 percent in the South. (The metro rate is 32 percent.) The bulk (83 percent) of residents work in private sector jobs. Indeed, just as African-Americans may have poor access to job networks in manufacturing, Pilsen-Little Village residents may have poor access to networks in public- and nonprofit sector jobs.

Two important factors explain some of the differences in the occupations and sectors of work between the Pilsen-Little Village residents and those of the other two clusters. First, a much higher percentage of the employed residents of Pilsen-Little Village are male (68 percent) than in the other two areas (49 percent). Gender strongly affects the types of jobs in which people work; many occupations are essentially segregated by gender. Men are much more likely to work in manufacturing jobs than in administrative support positions, for example. Second, the lower levels of formal education and frequent lack of facility with English leads Pilsen-Little Village residents to work more in blue-collar positions and less in clerical and white-collar jobs.

6) ***The types of jobs in the different Clusters differ significantly, with the West Cluster being the most industrial and most private sector, and the South being the least industrial and least private sector.*** Thirty-six percent of West Cluster jobs are in manufacturing (compared to 19 percent metro), while 25 percent of Pilsen-Little Village and only 19 percent of South Cluster jobs are in manufacturing. (Moreover, most of the South Cluster manufacturing jobs are concentrated in the Stockyards section of the Cluster.) Seventy-seven percent of West Cluster jobs are in the private sector, while only 60 percent of South Cluster jobs are in the private sector.

While no direct data are available, it is likely that a substantially larger portion of the private sector jobs in the South Cluster -- especially those located east of the Dan Ryan expressway -- is based at black-owned firms than is the case in the West Cluster. A much larger portion of jobs in the West Cluster is in manufacturing, in which there are relatively few black-owned firms.

7) ***Local working varies substantially across the Chicago EZ; in general, it is highest in the Pilsen-Little Village cluster and lowest in the West Cluster.*** Sixteen percent of employed residents in the Pilsen Little-Village and South Clusters work in the EZ, but only 10 percent of West Cluster residents do. When looking at residents working within the same cluster and accounting for jobs in the clusters, Pilsen-Little Village is found to have a substantially higher level of local working than the South Cluster, which has a higher level than the West Cluster.

When examining local working at a smaller scale -- across "subclusters" -- differences can be seen even within clusters. The western parts of the West Cluster, which are predominantly African-American, have little local working. This corresponds to a mismatch between the occupations of residents and area jobs. At the same time, the predominantly African-American greater Grand Boulevard segment of the South Cluster has many more residents working in the same area and exhibits less mismatch between the occupations of residents and jobs.

8) ***In the absence of EZ programs, jobs in the EZ are held by EZ residents at quite low rates; overall, only 10 percent of EZ jobs are held by EZ residents.*** This is due to a variety of reasons, including the convoluted shape of the EZ. Nonetheless, job growth in the EZ will have much larger effects on residents if EZ programs are effective at encouraging firms to hire residents, especially unemployed residents, at higher rates.

Moreover, unless firms employ EZ residents at substantially higher rates than 10 percent, the employment tax credit will have only a very small effect on a firm's total labor costs, making it relatively ineffective as a tool to encourage expansion or relocation of operations in the EZ.[8]

[8] If the average EZ firm employs 10 percent EZ residents, then the 20 percent maximum employment tax credit would amount to a credit of less than 2 percent of its labor costs.

9) ***A variety of promising approaches in Chicago and other cities have been used to link residents of low-income neighborhoods to nearby jobs.*** These programs generally involve much more than simple wage subsidies or tax credits, and are focused on some of the barriers identified in this report, including skills, access to networks, and employment discrimination. They include first-source hiring programs, where firms who receive development assistance are required to consider local residents, school-to-work initiatives, and efforts involving local firms in the development of job training programs.

In Cleveland, for example, the Westside Industrial Retention Network, or WIRE-Net, has established a school-to-work initiative called DESTIN . DESTIN links local firms to a high school in the WIRE-Net area. Students are offered orientation and training in cooperation with local manufacturers and are offered jobs upon graduation from the program.

On Chicago's Near West Side and Near Northwest Side, the Greater West Town Community Development Project, a job training organization, has successfully partnered with the Industrial Council of Northwest Chicago (ICNC), a group of manufacturers in the area. This partnership involves companies from ICNC in the design and implementation of training programs for woodworkers and shipping and receiving personnel. By involving local employers in the program, Greater West Town assures a program that will meet their needs and, at the same time, is in a strong position to establish its reputation with the firms. Through developing strong relationships with employers, Greater West Town can work to change negative perceptions about the neighborhood labor force and, in doing so, combat less overt forms of discrimination as well as build skills in neighborhood residents.

Implications for Local EZ Planning, Federal EZ Policy, and Other Employment Policies

The analysis and conclusions above have implications for implementation of Empowerment Zones at the local level, for federal Empowerment Zone policy, and for a host of broader policy issues that bear heavily on the employment prospects of residents of the Chicago EZ and other low-income urban neighborhoods.

Recommendations for Local EZ Planning and Implementation:

I. More systematic local planning should be used in designating EZs.

The current EZ designation process, due in part to scarce information on jobs and workers, does not adequately consider the geography of employment patterns in low-income urban neighborhoods. Data such as those used in this report should be employed to design EZs that are shaped to encourage more local employment of low-income residents.

The low levels of commuting between the different EZ clusters, which are not adjacent to each other, suggest that a less disjointed EZ would offer many more local working and local hiring opportunities -- thus increasing the overall impact of EZ programs.

Given current EZ regulations (e.g., 20 square mile limit, EZ tax credits for EZ firms employing EZ residents) local planners should seek to center zones around targeted residential populations with the perimeter of the zone reaching out to pick up nearby job clusters. Of course, a circular EZ centered around a targeted neighborhood is just a model and will not be entirely appropriate. But EZ designs that are relatively compact and avoid long tentacles should be favored.

II. A sizable portion of EZ grant funds should be used for job linkage and training purposes, especially to connect residents to jobs at EZ firms.[9] Where possible, local firms should be involved in the design and implementation of programs.

EZ funds should support quality job-training initiatives, especially those having a track record in placing minority workers. Special attention should be given to efforts linking residents with nearby jobs in which they are, for no compelling reason, underrepresented, and especially where relatively good jobs are available. Industrial corridors, which contain large numbers of decent-paying jobs should be a principal focus of such attention.

Promising efforts will adopt best practices in key areas, including: 1) initiating cooperative relationships with local firms ("getting the foot in the door"); 2) working to change negative employer perceptions of the local labor force while recognizing the limits of such change; and/or 3) collaborating across neighborhoods. While some examples are discussed in this report, more research needs to be done to identify strong models for linking residents with nearby jobs in low-income, and particularly African-American, communities.

III. *Labor-force-based* economic development should be a primary focus of any EZ strategy.

In the short-run, job creation efforts should emphasize jobs that residents are already able to access. If residents tend to work in blue-collar jobs, then industrial development in the area is likely to bring major benefits to area residents. If not, the creation of other types of jobs, in which residents tend to work, should be the focus of the short-term strategy.

Before economic development efforts are pursued in sectors where residents have not been employed, job linkage and training programs should first be established to link residents and jobs. Then job creation in these sectors should be pursued as well.

IV. Empowerment Zone strategies should consider the social networks and social capital of EZ areas; where possible, networks that support job search and employability should be developed.

Social networks are a primary channel through which job search and employer recruitment occurs. Research shows that at least 35-40 percent of low-skill jobs are filled through informal methods, such as word-of-mouth. EZ funds should be used to encourage the use of social networks for sharing job information and leads among EZ residents. For example, Suburban Job-Link, a Chicago nonprofit that assists inner-city residents in finding and commuting to suburban jobs, is asking its clients to return information on job openings from suburban employers to grass-roots social organizations in their neighborhoods, such as churches and block clubs. The same sorts of networks can be used to identify and disseminate information on nearby jobs. Moreover, community-based school-to-work initiatives, child-care programs, and other efforts that build employment-related social capital should be supported.

Recommendations for Federal EZ Policy:

V. Employment and investment tax credits, alone, are likely to be insufficient for addressing the barriers to local employment faced by less-educated EZ residents; credits should complemented with other employment and training policies.

This report documents a number of potent barriers to the local employment of EZ residents, including skill mismatches, a lack of access to networks used by local firms, and hiring discrimination. The general evidence on tax credits and wage subsidies is mixed, suggesting that, *on their own*, such subsidies may only have a marginal effect on who gets hired, at least by themselves.

[9] Detailed lessons regarding design and implementation of local job-resident linkage programs are presented in the main body of the report.

Credits and other wage subsidies must be complemented with job training and placement assistance to affect employment more substantially. Under current regulations, some job training expenditures can be subsidized by the employment tax credit. (This is especially relevant for workers earning less than $15,000 annually who will not attract the full $3,000 tax credit.) Some consideration should be given to increasing the limit of the tax credit for training purposes only. Thus, a firm employing an EZ resident making $17,000 annually, for example, might claim a $3,000 credit on wages, and an additional 20 percent credit on job training costs.

Currently, the EZ credit applies to existing hires as well as new hires. If the credit is intended to alter employer behavior, relatively larger credits should be given for *net new* employment of EZ residents. Thus, an EZ firm might receive a credit based on the net change in wages paid to EZ residents over the year. (Regulations should require some minimum employment period.)

One final problem with the employment tax credit is that many small firms in the EZ may not have enough taxable income against which to apply the credit. If a firm reports a small amount of taxable income, the tax credits will not be valuable. Some have suggested that these credits be tradable via a secondary market, where credits earned by the smaller companies that cannot directly use them would be sold, thereby making the value of the credit available to more EZ firms hiring local residents.

VI. Federal EZ policy should provide for an *employment zone*, including and surrounding an EZ.

Given the limited numbers of jobs in EZ areas, and the multiple barriers between some of those jobs and EZ residents, current EZ policy may have limited success at getting residents hired at firms located directly in the EZ. A stronger approach, that recognizes the radial and larger-than-neighborhood nature of labor markets, would involve designating a residential EZ, characterized by relatively high unemployment and low-incomes, and a larger, surrounding *employment zone*, which would contain a larger number of jobs than the EZ. Employers located both in the EZ and in the employment zone would be eligible for employment tax credits and, perhaps, other EZ incentives. Moreover, the employment zone would recognize the benefits of business development that would spill over from the employment zone to the EZ.

The recently introduced Work Opportunity Tax Credit (WOTC), though covering welfare recipients generally, includes EZ residents ages 16-24 as eligible for a one-time credit of up to $2,100-$3,000 at firms located *anywhere*. EZ firms can qualify for both the EZ credit and the WOTC credit, if the new hire meets both eligibility guidelines. The WOTC should prove to be a useful complement to the EZ credit, enlarging the number of possible jobs for which a credit is available. But the EZ credit can be substantially more valuable to a firm in that it continues past the first year. The creation of the employment zone would improve the utility and impact of the EZ credit.

VII. Given the findings in this report and the shape of the Chicago EZ, the local employment threshold of 35 percent for the EZ *investment* incentives will be extremely difficult for firms to meet. Under current EZ configurations, this figure is probably not a reasonable threshold for most firms in EZs.

Only 10 percent of all Chicago EZ jobs are held by EZ residents. For the private sector firms that account for 70 percent of all EZ jobs, this ratio is probably even lower. If the purpose of the local employment threshold is to encourage and support firms that hire locally, then realistic goals should be set. The shape and nature of the Chicago EZ make it extremely unlikely that 35 percent of an EZ firm's workers live in the EZ. This is especially true for firms located near the outside edges of the EZ (e.g., in north Austin or in Woodlawn) and for firms that offer better quality jobs, and so draw job applicants from a larger radius.

Realistically, a minimum threshold for incentives might be set at some reasonable multiple of the zone average for local employment. For example, a minimum threshold of 15 percent might be appropriate to trigger the investment credit if the average local employment rate is 10 percent, as in the case of the Chicago EZ. A better approach would be to base eligibility for investment incentives on the percentage of a firm's workforce that live not only in the EZ but also in a surrounding area like the *employment zone* described in recommendation VI. If such an approach is used, a higher local employment threshold, such as 35 percent, may be realistic.

Implications and Recommendations for Other Employment and Economic Development Policies:

VIII. Welfare reform – as currently constructed – promises to have a major, negative impact on the employment and earnings prospects of EZ residents, including those already employed and in the labor force.

Fifty percent of EZ residents over age 15 are not in the labor force, compared to just 32 percent for the metropolitan area. This figure is 58 percent in the South Cluster. Many of these residents will be pushed into the labor force by recent federal welfare reforms and will seek work in low-skill occupations.

It appears likely that many welfare recipients will have difficulty finding work. Local job shortages in areas like the South Cluster are likely to become much worse. Competition for low-skill jobs will increase, exerting downward pressure on the wages of those who had already been in the labor force. This is especially problematic in areas like the South Cluster where a large percentage of residents do not own cars and are more susceptible to local job shortages.

The massive increase in the demand for low-skill jobs that will result from welfare reform may overwhelm EZ and similar policies. Even with access to wage subsidies like the new Work Opportunity Tax Credit, many private-sector firms will not consider hiring those with little work experience. Beyond skills, welfare recipients face discrimination, a lack of networks, poor transportation access to job-rich areas, and other barriers to work. Due to such daunting problems, several labor market analysts have called for a federal public works employment program.[10] Many have also called for the expansion of the Earned Income Tax Credit, increased support for childcare, and a healthcare program for low-income workers.

IX. Effective job training and placement programs, as well as basic education, need more support from local, state and federal government.

Overall, the continuing problems of inner-city schools and inadequate funding of job training programs for low-skill workers are devastating to the employment prospects of EZ residents. For Pilsen-Little Village residents, training may be more important for improving their *earnings* than for reducing their unemployment rates. For residents of the West and South Cluster, placement and brokering assistance, as well as training, are critical to improving the prospects of *getting* a job.

The reorganization of job training systems and the implementation of one-stop career centers must recognize the value of existing relationships that community-based job training organizations have established with local firms. At the same time, job training and placement efforts should incorporate what is known about best practice in the field. In particular, strong involvement by local employers in the design and implementation of programs is key. Moreover, some sort of local employer certification of training programs would provide employers with accurate information about program quality.

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[10] Recommendations of this type have been made recently by William Julius Wilson in *When Work Disappears*, New York: Knopf, 1996, and by Harry Holzer in *What Employers Want*, 1996.

X. Aggressive enforcement of anti-discrimination law is critical to the employment prospects of EZ residents in jobs across the metro area.

Discrimination in hiring is a major barrier to the employment of EZ residents, particularly for African-American residents. While discrimination occurs among inner-city employers, significant evidence from other research suggests that the problem is even worse among suburban employers. Moreover, small firms, which constitute a larger base of jobs than in earlier decades, are more prone to discriminate.

Despite the data on hiring discrimination, relatively little of the Equal Employment Opportunity Commission's (EEOC) activity has concerned hiring, amounting to less than 7 percent of charges filed in 1988.[11] During the 1980s, the enforcement activities of the EEOC suffered due to inadequate resources and leadership that was ambivalent about the agency's mission. Between 1982 and 1992, the agency's backlog of cases increased by almost 60 percent, from 33,417 to 52,856.

Discrimination in hiring cannot be enforced merely by responding to complaints of job applicants. EEOC reports on employment patterns must be examined proactively by the agency itself and other relevant agencies. Aggressive enforcement of antidiscrimination laws has had a major impact in the fair housing arena in recent years. It is important to learn from this policy area and apply the lessons to fair employment policy.

XI. Public sector employment is crucial to the employment of EZ residents; government privatization must be monitored for its impact on less-educated minority workers.

Residents of the West and South Clusters are disproportionately employed in public sector jobs. South Cluster residents are employed in government jobs at twice the rate of workers across metropolitan Chicago (24 percent versus 12 percent). To the extent that private firms do not employ residents from these neighborhoods at the same rate, the privatization of public sector jobs could hurt the employment prospects of EZ communities. Firms contracting with the City should be closely monitored for minority employment practices, and for employment of residents of inner-city neighborhoods, where appropriate. Privatization can also have damaging effects on the wage levels of less-educated workers.

XII. Minority business development and affirmative action policies should be maintained, and stepped up, to improve the employment prospects of EZ residents.

Minority-owned businesses employ minority workers at higher rates than white-owned firms. This is especially true for black-owned companies. While there are no specific figures available on the level of employment of EZ residents by minority-owned businesses, the potential is significant. From 1987 to 1992, the number of black-owned firms in Illinois increased by 50 percent, according to the 1992 Economic Census. While black-owned firms represent a small portion of all jobs, their share of employment is substantially larger among African-American workers. Thus, those interested in the prospects of African-American and minority workers should include minority business development as a key strategy.

Supporting Empowerment Zones while at the same time weakening minority business development programs is inconsistent federal policy. Each set of programs will work better in the presence of the other. Minority business development and community economic development constituencies need to join together to support strong policy action in both arenas.

[11] M. Bendick, Jr., C. W. Jackson, and V.A. Reinoso: "Measuring Employment Discrimination Through Controlled Experiments." *The Review of Black Political Economy 23*: 35-48, 1994.

Larger employers have been shown to employ African-Americans at higher rates than smaller firms. This is due, in large part, to the affirmative action hiring programs many large firms have adopted. Government and corporate support for affirmative action is crucial to the employment prospects of EZ residents.

I. Introduction

Neighborhood economic development is often aimed at creating and retaining jobs in low-income urban communities. Such activity can bring benefits to neighborhoods and cities, including physical improvements, better government services, increased tax revenues, as well as a boost in the confidence residents have in their community. But the major, ultimate objective of these efforts is often improving the employment prospects of residents.

In distressed urban communities, neighborhood jobs rarely provide sufficient employment opportunities for a majority of residents. This is because labor markets are substantially metropolitan in nature. Creating neighborhood jobs, however, may actually reduce an area's unemployment, especially among less-educated residents, those working part-time, and youth. In addition, with more jobs in and near a community, more neighborhood residents should be able to work close by, reducing their often arduous commutes and building up local employer-resident employment networks, which can give residents an advantage in the labor market. Finally, if better quality jobs are created that residents can access, the earnings prospects of residents can be improved.

From a community -- and not just individual -- perspective, access to local jobs can also improve the social capital of a neighborhood, leading to a stronger sense of mutual interests between residents and businesses. When residents work at local companies, they share common concerns and are more likely to work together to address neighborhood problems such as poor schools, crime, and blight.

Notwithstanding the metropolitan nature of labor markets, neighborhood economic growth will further desired employment and social capital objectives more if, as local jobs are created or retained, residents are able to access these jobs. The primary purpose of this report is to examine the potential for economic development in the low-income communities of the Chicago Empowerment Zone (EZ) to benefit residents of the EZ It is important to consider how EZ policy and implementation can contribute to employment objectives, and to consider appropriate policy changes based on existing patterns of access to local jobs. At the same time, it would be a mistake to view the EZ program as a panacea for the employment problems of residents. Too many other, larger policy and economic issues bear on the residents of these areas. Therefore, a secondary goal of this report is to comment on other employment-related policies that bear heavily on EZ communities.

Thirty years of research on "spatial mismatch" theory suggests that the decentralization of jobs significantly affects the unemployment rates of inner-city residents.[1] This is due as much to a lack of information on job opportunities as it is to a difficulty in getting to work once the job is identified. Traditional urban mass transit systems are not well designed for taking residents to jobs spread out over vast suburban expanses, and many lower-income households do not have access to reliable automobiles. While spatial mismatch is important, the effects of job proximity on *whether* people work may be smaller than the effects of skills, social and employment networks, and employment discrimination.

It is clear that the geographic distribution of jobs strongly affects *where* residents of urban neighborhoods work, and the *types* of industries and occupations in which residents will tend to work. With more jobs nearby, residents can work near home and avoid the burdens and costs of distant job searches and commutes, so that the net benefit of work is greater. Frequently, residents of low-income areas have difficulty finding and commuting to the better quality jobs that may not be located near them.

It remains the case, however, that some low-income neighborhoods with many nearby job opportunities see few residents working at

[1] Reviews include H. J. Holzer, "The Spatial Mismatch Hypothesis: What has the Evidence Shown? *Urban Studies* 28: 105-122, 1991, and K.R. Ihlanfeldt, *Job Accessibility and the School Enrollment of Teenagers*. Kalamazoo, Upjohn Institute, 1992.

local jobs.[2] To the extent that residents have identified better jobs elsewhere, this may not be a problem. But, in many cases, residents are commuting long distances to low-paid jobs far from the neighborhood. If neighborhood job creation and retention is seen as a tool for improving the working lives of neighborhood residents directly, then it is important to understand where opportunities for increasing local employment exist. This involves identifying barriers between neighborhood jobs and residents that can be reduced.

While central cities have generally witnessed job loss over the last few decades, many inner-city neighborhoods still find themselves surrounded by substantial numbers of jobs, including positions in manufacturing, warehousing and distribution, retail and other industries which employ low- and moderate-skilled workers. In earlier decades, large percentages of jobs in such areas were held by local residents. Employers preferred neighborhood residents to create a stable and reliable workforce. A 1970 text on urban labor markets reports that firms preferred hiring neighborhood workers.[3]

Neighborhoods where residents worked locally enabled those entering the labor force to use neighborhood social networks to find suitable jobs. While some urban neighborhoods still see many residents working locally, others exhibit a disconnection between jobs and residents, with those working in local firms commuting from across the metropolitan area and residents commuting many miles to modest-paying jobs.

For neighborhood economic development to provide job opportunities for low-income communities, barriers to employment beyond those of distance must be identified and addressed. We do this by first establishing who lives and who works in the areas of interest.

[2] Perhaps the best known example is the neighborhood of Red Hook, in Brooklyn, New York. The neighborhood is home to many jobs, but few residents work in the area. Philip Kasinitz and Jan Rosenberg, who have studied the neighborhood, cite social isolation of residents as the chief reason for this. See P. Kasinitz and J. Rosenberg, *Missing the Connection: Social Isolation and Employment on the Brooklyn Waterfront*, Michael Harrington Center for Democratic Values and Social Change, City University of New York, 1994.

[3] A. Rees and G. Schultz, *Workers and Wages in an Urban Labor Market.* Chicago: University of Chicago Press, 1970.

Specifically, we map out the commuting flows into and out of different parts of the Chicago Empowerment Zone (EZ) to understand the degree to which EZ residents work in the EZ and in their own neighborhoods. We compare and contrast the local employment patterns among EZ neighborhoods and provide likely reasons for the differences. We also look at the occupational, industrial, and racial make-up of residents and those working in these areas to discern the effects of skills, networks, and race on where residents work. We provide examples of policy and practice from around the country that address some of the barriers between employers and residents in urban neighborhoods.

Finally, we conclude by drawing from our quantitative and qualitative work implications for EZ and employment-focused neighborhood economic development policy and practice. We specifically look to identify policy modifications and complements to the EZ program and similar policies that will help provide residents of targeted neighborhoods with access to local jobs. We also consider broader policy issues critical to the future employment prospects of residents of the EZ communities.

General Barriers to Employment for Inner-City Residents

In order to consider the barriers between neighborhood residents and local jobs in inner-city, and especially African-American, neighborhoods, it is important to consider first the metropolitan-wide labor market problems faced by such communities. The typical (or median) white neighborhood in the Chicago area had a 1990 unemployment rate of 3 percent, while the typical African-American neighborhood had a 1990 unemployment rate of 20 percent.[4] Most labor market barriers, such as inadequate skills and employment discrimination, occur between low-income and

[4] From calculations of the Census Transportation Planning Package of the 1990 Census, Chicago Urban Element. Quarter-sections (half-mile-by-half-mile areas) are used as neighborhoods. Only areas with at least 500 residents in the labor force are included. White neighborhoods are those with less than five percent Latino residents and less than five percent African-American residents. African-American neighborhoods are those with more than 75 percent African-American residents.

minority individuals and employers in general, and are not particular to relations with nearby firms. These systematic barriers, however, manifest themselves, in part, by restricting the level of local hiring that occurs in inner-city neighborhoods, where employers and less-educated, minority households are located side-by-side.

Low-income urban communities face the continuing problems of inadequate education and training, employment discrimination, poor access to social networks that can be used to find employment, and a lack of support systems such as child care. Poor schooling in inner-city neighborhoods has meant that residents of low-income neighborhoods are not well equipped to compete in an increasingly technological workplace. Of 68 Chicago area firms responding to a Chicago Tribune survey in 1988, none gave City of Chicago public schools, which serve a predominantly minority student body, an "A" or a "B" grade. Twenty-five percent of the firms gave the schools a failing grade, with the average grade being a low "D". Two-thirds of the respondents believed schools were getting worse, and none said that the schools adequately prepared students for entry-level work.[5]

Race, and employment discrimination in particular, are powerful factors in determining employment rates in urban neighborhoods. Even in minority neighborhoods, most local jobs are typically located at white-owned businesses. In analyzing potential discrimination, it is important to understand the difference between overt discrimination, where employers explicitly prefer to discriminate, and "statistical" discrimination, where employers use race as a signal in their hiring decisions. If members of a particular minority group have, on average, less education and less work experience than whites due to racial inequities in education and/or discrimination by other employers, some employers might use race to screen job applicants to reduce hiring costs. This is not a legal practice, but it may be hard to discourage. Distinguishing between overt and statistical discrimination will help in developing strategies to reduce both practices.

Substantial evidence points to discrimination as a major determinant of minority, and particularly, African-American, success in finding jobs. In a matched-pair audit of several hundred employers in two metropolitan areas, researchers at the Urban Institute found that African-American job applicants with comparable employment histories and skills to those of white applicants received fewer employment offers than the white applicants. Whites received offers for 29 per-cent of applications while African-Americans received offers for only 19 percent, a 53 percent difference in the rate of job offers due solely to race.[6]

In a 1988 survey of firms in Chicago and suburban Cook County, more than one out of eight *employers* cited racial discrimination as one reason why inner-city African-American males cannot find or retain jobs easily, a substantial figure given the dynamics surrounding the topic.[7] And many other employers cited reasons such as "lack of work ethic," "lack of dependability," or "bad attitude" -- all reasons suggesting a strong possibility of discrimination -- as principal reasons for black joblessness.

In a recent study of employers' hiring practices in four large cities, labor economist Harry Holzer finds that less-educated African-American males are hired at substantially lower rates than Latinos, despite having a higher level of educational attainment.[8] The proportion of less-educated new hires that were African-American males was less than 65 percent of the proportion of applicants that were African-American males. At the same time, the proportion of new hires that were Latino was equal to or greater than the proportion of applicants, depending on the location of employers. In addition, Holzer finds that hiring rates of African-American males

[5] Cited in G. Orfield, "Wasted Talent, Threatened Future: Metropolitan Chicago's Human Capital and Illinois Public Policy," in *Creating Jobs, Creating Workers: Economic Development and Employment in Metropolitan Chicago*, ed. L. B. Joseph, pp. 129-160. Chicago, University of Chicago, 1990.

[6] M. Turner, M. Fix, R. Struyk: *Opportunities Denies, Opportunities Diminished: Discrimination in Hiring.* Washington, D.C., Urban Institute Press, 1991.

[7] W.J. Wilson, *When Work Disappears*, New York: Knopf, 1996.

[8] H. Holzer, *What Employers Want: Job Prospects for Less Educated Workers*, New York: Sage, 1996.

are substantially lower at suburban employers than at firms in central cities.

Holzer finds that, while more than 65 percent of employers claim they will not hire those with criminal records, fewer than 40 percent of jobs require criminal record checks. This implies, then, that "the mere suspicion of criminal activity or incarceration (perhaps from major gaps in a job candidate's work history) may be enough to preclude an applicant from being hired, and it is likely that such suspicions would be directed most strongly against young black male job candidates, especially poorly educated ones or those from low-income neighborhoods."[9]

While the importance of social networks are difficult to measure, they may be as important as any factor in determining employment outcomes for urban, and especially minority, residents. Many employers rely on word-of-mouth referrals in their hiring practices.[10] Often, good workers are asked to refer friends or relatives to the firm when an opening arises. Thus, employers often rely on social and familial networks as their primary conduit to workers. Researchers examining individuals in four New Jersey urban areas have found that the characteristics of employment status of family and neighbors, including the percent not working, affect the employment prospects of youth.[11] It is difficult for young people to find employment if they know relatively few people with jobs.

Shortages of various forms of social and household support also affect employment prospects. Without access to affordable child care, for example, low-income parents find it difficult to get or hold a job. Less-educated workers are often forced to work unconventional hours, when few child care centers are open. Quality child care centers are often in scant supply in low-income neighborhoods. While child care costs do vary, they constitute a much larger share of family income for low-income families than for middle- and upper-income families.[12]

Place-based Economic Development, EZ Policy, and Local Employment

The policy prescriptions for improving the employment prospects of residents of low-income urban neighborhoods range from what has been termed *pure place-based* economic development (e.g., inner-city industrial parks and state enterprise zones) to *place-based-people* strategies such as community development corporations, and then to *pure people-based* programs aimed directly at individuals lacking employment regardless of where they live, including city-wide job training and earned income tax credits.[13] Perhaps the most ambitious example of pure, people-based policy is one of residential relocation, in which residents are assisted in moving to more affluent and job-rich areas.

It is unlikely that any narrow set of policy solutions focusing on one aspect of employment problems will be successful by itself. It is also unlikely that policy or practice will proceed along a narrow set of proposed solutions. The debates about how to improve the employment conditions of inner-city residents have been going on since at least the late 1960s, and they continue today.

Beginning in the early 1990s, some renewed interest in place-based -- including place-based-people solutions -- to urban unemployment developed. Many planners, policy analysts, and some state and local politicians have recognized the problems of excessive suburban sprawl and spatial growth. Even certain business and corporate leaders have shown increased concern over the plight of inner-city communities and the effects of

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[9] H. Holzer, *What Employers Want*, 1996.

[10] See N. Theodore and V. Carlson, "Employment Networks and the Creation of Local Labor Markets," prepared for the Annual Meeting of the Association of American Geographers, April 9-13, 1996; and S. Hanson and G. Pratt, *Gender, Work, and Space*. London: Routledge, 1995.

[11] K. M. O'Regan, and J.M. Quigley, 1996, "Spatial Effects on Employment Outcomes: The Case of New Jersey Teenagers," *New England Economic Review* May/June: 41-57, 1996.

[12] For more information on child care as a barrier to employment see T. Henle and E. Ali, "Welfare Reform and Child Care" in *The Welfare Reform Debate*, Chicago, Center for Urban Economic Development, University of Illinois at Chicago, 1996.

[13] This typology is borrowed from H. Ladd, "Spatially Targeted Economic Development Strategies: Do They Work?" *Cityscape: A Journal of Policy Development and Research* 1 No. 1: 193-218, 1994.

rampant metropolitan deconcentration.[14] Federal, state and local "brownfield" initiatives to reclaim contaminated industrial properties for redevelopment are gaining momentum. The costs of economic development at the fringes of urban areas are now being seen as creating problems beyond decreasing access of inner-city residents to jobs. The abandonment of thousands of acres of urban industrial property, the underutilization of infrastructure, environmental problems, and the gridlock facing urban-suburban transportation are all contributing to this new attitude.

While economic development in inner-city areas may be desirable based on the potential benefits of physical redevelopment of blighted neighborhoods, stronger city tax bases, and decreased automobile traffic, the prospect of significant local employment opportunities is often a primary objective. Yet, an expansion of a local employer or the arrival of a new firm may not necessarily result in the hiring of many local residents. The barriers to the employment of residents by local firms might include a mismatch or deficiency in skills, discrimination, the use of formal or informal hiring and job search networks that do not favor local residents, or other factors.

One important new policy effort that aims to improve the employment prospects of inner-city residents is the federal Empowerment Zone (EZ) program. The EZ model is substantially different from its older cousin the enterprise zone, a British concept for redeveloping blighted areas with little consideration for the employment impacts on residents. It is also easily distinguished from earlier U.S. federal proposals, as well as many state enterprise zone programs, that are much less concerned with the distribution of benefits, including jobs, from zone investment than with the creation of jobs regardless of who gets them. The EZ model places a much higher priority on spurring development that will bring jobs and other benefits to EZ residents as well as encouraging physical investment.

The principal mechanism contained in the EZ program for reducing unemployment and providing residents with access to EZ jobs is the EZ employment tax credit. The employment tax credit is the single largest incentive targeted directly at the employment of EZ residents. Firms located and doing business in the EZ who employ EZ residents are eligible for a 20 percent tax credit on wages and some job-training expenses, up to a maximum credit of $3,000 per worker. This is a substantial credit, especially for modestly skilled jobs where wages are not very large.[15]

While the guidelines for the first round of EZs encouraged applicants to create strategic plans that included helping residents find jobs outside the EZ itself, incentives to firms are clearly targeted toward placing residents in EZ jobs. The goal of the credit appears to go beyond reducing unemployment to increasing the number of EZ residents working in EZ jobs.[16] The tax-exempt bond financing made available under EZ legislation requires that recipient firms employ at least 35 percent EZ residents. Similar requirements exist for firms seeking accelerated depreciation benefits under the EZ program.

Due to a lack of data and relevant policy-oriented research, little is known about those who currently hold jobs in the existing EZs. Therefore, there is no strong basis on which to determine the existing links between local jobs and residents or the need to develop such links. This report analyzes work and job patterns in the Chicago EZ to better understand the potential for, and barriers to, linking jobs and residents in these and similar neighborhoods.

[14] Two notable examples include Michael Porter's "The Competitive Advantage of the Inner-City," Harvard Business School Working Paper, 1994, and *Rebuilding Inner-City Communities*, by Marc Bendick for the Committee for Economic Development, a national organization composed of high-level corporate executives, 1995.

[15] It should be noted that criticisms of "enterprise zone" programs at the state level are only somewhat relevant to EZs, both because state programs generally do not contain major employment tax credits such as the EZ credit and because state enterprise programs have not generally provided major discretionary funding sources such as the $100 million in Social Service Block Grant funds available to the Chicago Zone.

[16] The tax credit applies to all employees residing in the Zone, and not just to new hires or the previously unemployed. Thus, even if a firm goes from employing 10 Zone residents before Zone designation to employing 5 after Zone designation, it will be eligible for tax credits on the 5 workers.

The Chicago EZ

The Chicago EZ, shown in Figure 1, is a set of three noncontiguous areas on Chicago's west, near southwest, and south sides that total 14.6 square miles and 199,932 residents as of 1990. The three areas are referred to as the West Cluster, the Pilsen-Little Village Cluster, and the South Cluster.

These clusters, in turn, are comprised of segments of different neighborhoods, which are either predominantly African-American or predominantly Latino. As shown in Figure 2, the three clusters, while each being contiguous, are not symmetrically shaped and have a number of somewhat geographically distinct sections, or in some cases, tentacles, that string through larger neighborhoods. To a large degree, the shape of the EZ was the result of a complex designation process, which did not systematically consider where residents of neighborhoods worked or who worked in the neighborhoods.

In total, the EZ is 72 percent African-American and 24 percent Latino, with a 1990 median household income of $17,156. The 1990 unemployment rate for the EZ is 25 percent, compared to a metropolitan unemployment rate of 8 percent. Fifty percent of EZ residents over age 15 are not in the labor force.

Table I shows some of the significant differences among the three EZ Clusters. The West and South Clusters are predominantly African-American, while the Pilsen-Little Village Cluster is predominantly Latino. The 1990 unemployment rates of the South and West Clusters are extremely high, exceeding the metropolitan rate of 8 percent by multiples of 3.9 and 3.3 respectively.

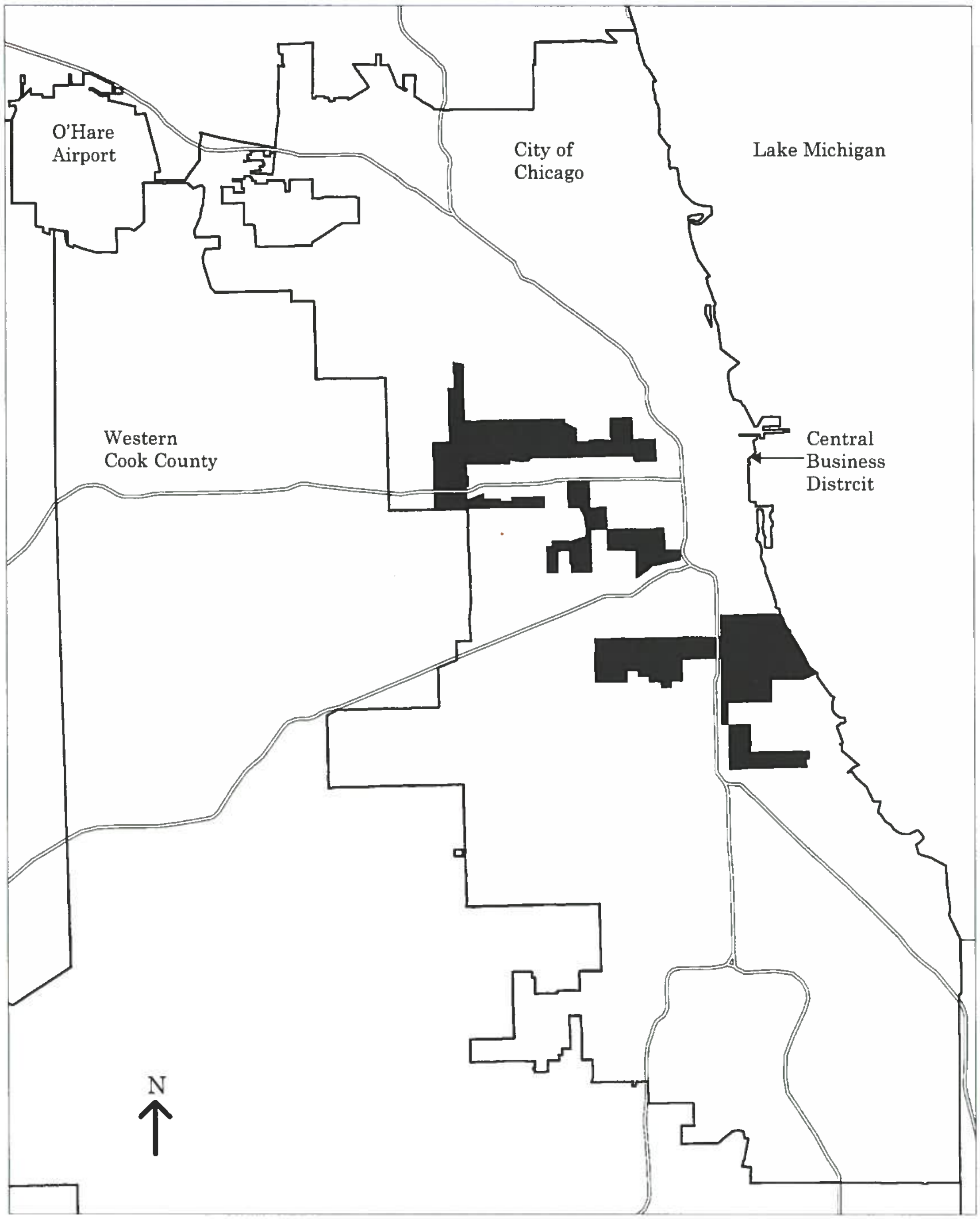
The unemployment rate in the Pilsen-Little Village Cluster is substantially lower, although still almost twice the metropolitan rate. Moreover, the portion of persons 16 and older that is employed (54 percent) is substantially higher than in the West Cluster (39 percent) or the South Cluster (29 percent). Labor force participation in the Pilsen-Little Village Cluster is relatively high, while mean household income is not appreciably higher than in the West Cluster. Thus, while a substantially larger share of working-age residents of the Pilsen-Little Village Cluster are employed, those with jobs are earning substantially less than employed residents of the West Cluster. This corresponds to the fact that fewer adults in the Pilsen-Little Village Cluster have high school diplomas than in the West Cluster, although education attainment levels are low in all three clusters.

The West Cluster is a long narrow string of census tracts that winds its way west from the Near West Side to the Austin community area. It also contains parts of East and West Garfield Park, North Lawndale and West Town. Many of these communities went from being predominantly white ethnic to African-American beginning in the 1940s and 1950s. Racial change was accelerated by unscrupulous real estate practices, by white flight, and by the migration of African-Americans from the South.

Historically, these west side neighborhoods have been home to many manufacturers and industrial service firms. The Cluster still contains two sizable industrial corridors, one running west from the Near West Side along Kinzie Avenue and one running north through Austin along Kilpatrick Street. Besides the harm done by suburbanization, blockbusting, and redlining, the area was hurt by riots in 1968, which proved too much for many neighborhood-oriented small businesses to withstand.

The Pilsen-Little Village Cluster is characterized by its distinctly Mexican-American cultural identity. Pilsen, which draws its name from the Bohemian roots of many of its early twentieth century residents, is now principally Mexican-American and is home to many recent immigrants. The Pilsen side of the Cluster abuts the South Branch of the Chicago River, which was a major draw for industrial development in the nineteenth century. The area remains one of the oldest industrial areas in the city.

Figure 1
The Chicago Empowerment Zone



Mapping by the
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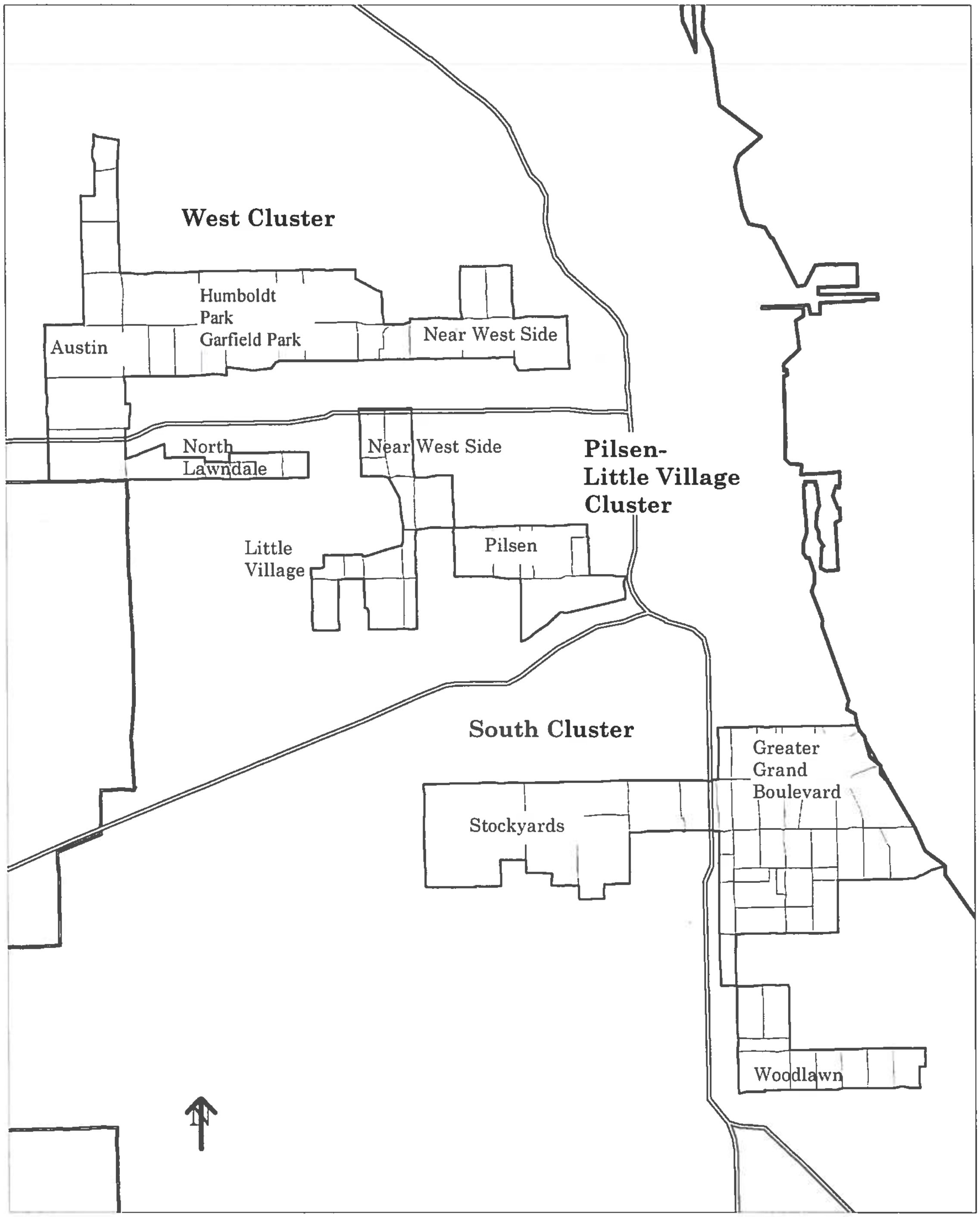
Figure 2
Chicago Empowerment Zone Clusters



Mapping by the
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Table I
1990 Demographics of Chicago EZ Clusters

	West	Pilsen Little Village	South	Total Zone	9-County* Metro Area
Population	58,334	44,465	97,133	199,932	7,429,181
Mean Household Income	20,259	20,968	14,253	17,157	45,786
Unemployment Rate**	26%	15%	31%	25%	8%
Employment Rate***	39%	54%	29%	38%	63%
Percent Not In Labor Force***	47%	36%	58%	50%	32%
Percent African-American	88%	8%	91%	72%	19%
Percent Latino	8%	86%	5%	24%	11%
Percent Adults**** w/o H.S. Diploma	52%	72%	52%	56%	24%

* Cook, DuPage, Lake, McHenry. Kane, Will, Kankakee, Kendall, and Grundy Counties
** For persons ages 16 or older in the labor force
*** For all persons ages 16 and older
**** For persons aged 25 or older

Data calculated from 1990 Census - STF3A

The Little Village part of the Cluster lies almost directly west of the Pilsen section. Little Village, also known as South Lawndale, has also been a home to immigrants over the last 150 years. From 1960 to 1980, the area went from being less than 1 percent to 74 percent Latino. With more owner-occupied homes than Pilsen, Little Village also has a higher median income. The Pilsen-Little Village Cluster also contains a small part of the Near West Side community.

The Pilsen-Little Village Cluster is also distinguished from the West and South clusters by the presence of two vital retail corridors, one along 18th Street in Pilsen and the other along 26th Street in Little Village. The 26th Street strip is one of the stronger retail areas in the city. The strength of retail in and around this Cluster is due in part to the area's ability to maintain and even increase population levels. From 1980 to 1990, Pilsen saw its population increase by 1.6 percent and Little Village saw a population increase of 7.9 percent. This is despite a city-wide population loss of 7.4 percent, and even greater losses in most lower-income neighborhoods.

The South Cluster is comprised of three relatively distinct parts: the greater Grand Boulevard neighborhood to the northeast; the Stockyards area to the West of the Dan Ryan expressway; and the Wooodlawn/ Washington Park area to the south. The Grand Boulevard section, which also contains parts of North Kenwood, Douglas and Oakland, includes a number of large public housing complexes along State Street. The Stockyards area is the site of a modern industrial park that has received substantial economic development attention from the City of Chicago. The Woodlawn/Washington Park section of the EZ lies due south of the University of Chicago. The Grand Boulevard area became home to substantial numbers of African-Americans around World War I, when migration from the South was fueled by the need for industrial workers. The area became known as "Bronzeville" and was the most important retail and entertainment area for African-Americans in the city. By 1940, the population of Grand Boulevard was 98 percent African-American. The Woodlawn area did not become predominantly African-American until the 1950s, with racial change occurring rapidly and massively over the decade.

The Stockyards part of the EZ takes its name from the Union Stockyards and meat packing houses which inspired Upton Sinclair's *The Jungle*. The area was redeveloped as an industrial park beginning in the 1960s, so that its population density remains low. The sizable area accounts for only seven percent of the South Cluster's population. Of the persons living in this area, more than 70 percent are Latino (predominantly Mexican-American). The presence of many industrial jobs and the demographic makeup of residents makes the Stockyards area very different from the remainder of the South Cluster.

The neighborhoods in the EZ have been buffeted by a legacy of disinvestment, job loss, and physical deterioration. Between 1979 and 1989, for example, the number of jobs on the greater west side, which contains and surrounds the West Cluster and the Pilsen-Little Village Cluster, fell 22 percent, with manufacturing employment declining by 31 percent.[17] The EZ area was home to thousands of modestly skilled workers who were disproportionately employed in local blue-collar jobs.

Due to historic segregation, the effect of deindustrialization and central city job loss was concentrated in these communities, especially in African-American neighborhoods. The loss of jobs meant the loss of family income and, in turn, community wealth. With disposable income declining, stores and businesses that predominantly served the neighborhood were hurt. As businesses closed and poverty increased, the quality of neighborhood life deteriorated, leading some of those with options to leave the neighborhoods.

Analyzing EZ Labor Patterns Using Journey-to-Work Data

Traditional sources of socioeconomic data do not provide information on jobs and on where people work at small geographic levels. Conventional census data provide information on residents of census tracts, of which the EZ is comprised, but not on those working in the tracts. Moreover, no detailed information on where residents work is available in the regular decennial census of population and housing. In Illinois, annual information on jobs covered by unemployment insurance is available at the zip code level, including industry and occupation. But zip codes are quite large and irregularly shaped, so allow for little customized analysis. These data also give no demographic information on the earnings or race of those working in small areas.

Fortunately, the Census Bureau does offer some data that provide information on jobholders in small areas and on commuting patterns in and out of neighborhoods. In Chicago, the Census Transportation Planning Package (CTPP), often called the "journey-to-work" data, provides information on residents and those working in small, half-mile-by-half-mile areas called quartersections. The CTPP also gives the number of workers commuting between every pair of quartersections in the metropolitan area. Thus, the CTPP can be used to indicate to what degree residents of EZ neighborhoods work in the EZ, or in different parts of the EZ. It can also be used to compare the characteristics of jobs in the EZ to residents to identify potential barriers to local employment of neighborhood residents.

We utilize the 1990 Chicago-area CTPP for our analysis here. The data set, like most multipurpose data sets, is limited in its suitability for the task at hand, but it does provide a great deal of information about the nature of jobs and residents in the EZ, and about who works in the EZ and who does not.

Because the Chicago CTPP is based on square quartersections and not on census tracts, the CTPP cannot capture the jobs or residents of the EZ with absolute precision. To compare residents and jobs in identical areas, we must use the CTPP data and not conventional census tract data. From this point on, therefore, approximations of the EZ and the three clusters will be used.

[17] Included in west side zip codes are 60608, 60612, 60622 - 60624, 60635, 60639, 60644, 60647, and 60651.

Figure 3 illustrates the geographical difference between the actual, census-tract-based EZ, and an approximated, quartersection-based EZ that will be used here. Table II shows that the use of the approximated area is not a substantial problem. While this best match of quartersections to tracts yields an approximated EZ that contains 13 percent more residents than the actual EZ, the demographics of the two geographies match very well by income, employment status and race. Appendix I contains similar comparisons for each of the three clusters.

Due to its winding, tentacle-like nature, the West Cluster approximation is the largest overcount of the three, with 22 percent more residents than the actual Cluster. However, the income, employment status, and racial demographics of the two geographies match quite closely, as do the other two cluster approximations.

Figure 4 illustrates the subareas, or subclusters, of each EZ cluster that will be used to examine at a finer scale the variations within the EZ (labeled w-1...w-4; plv-1...plv-3; s-1...s-3). The use of these subclusters will help to identify the relationships between area characteristics and the levels of local employment of residents.

Table II
Comparison of Actual Chicago EZ to Approximated EZ Using Quartersections

	Actual Empowerment Zone (census tracts)	Approximated Empowerment Zone (quartersections)	Percent Over / Under(-)
Population	199,932	226,103	13%
Mean Household Income(1989)	17,157	17,601	3%
Unemployment Rate*	25%	24%	-3%
Not In Labor Force Rate*	50%	49%	-1%
Percent African-American	72%	72%	1%
Percent Latino	24%	24%	-1%

* For persons aged 16 or older

All Data from 1990 Census: STF3A; CTPP Chicago

Figure 3
Comparison of Actual, Tract-Based Empowerment Zone to Estimated Empowerment Zone

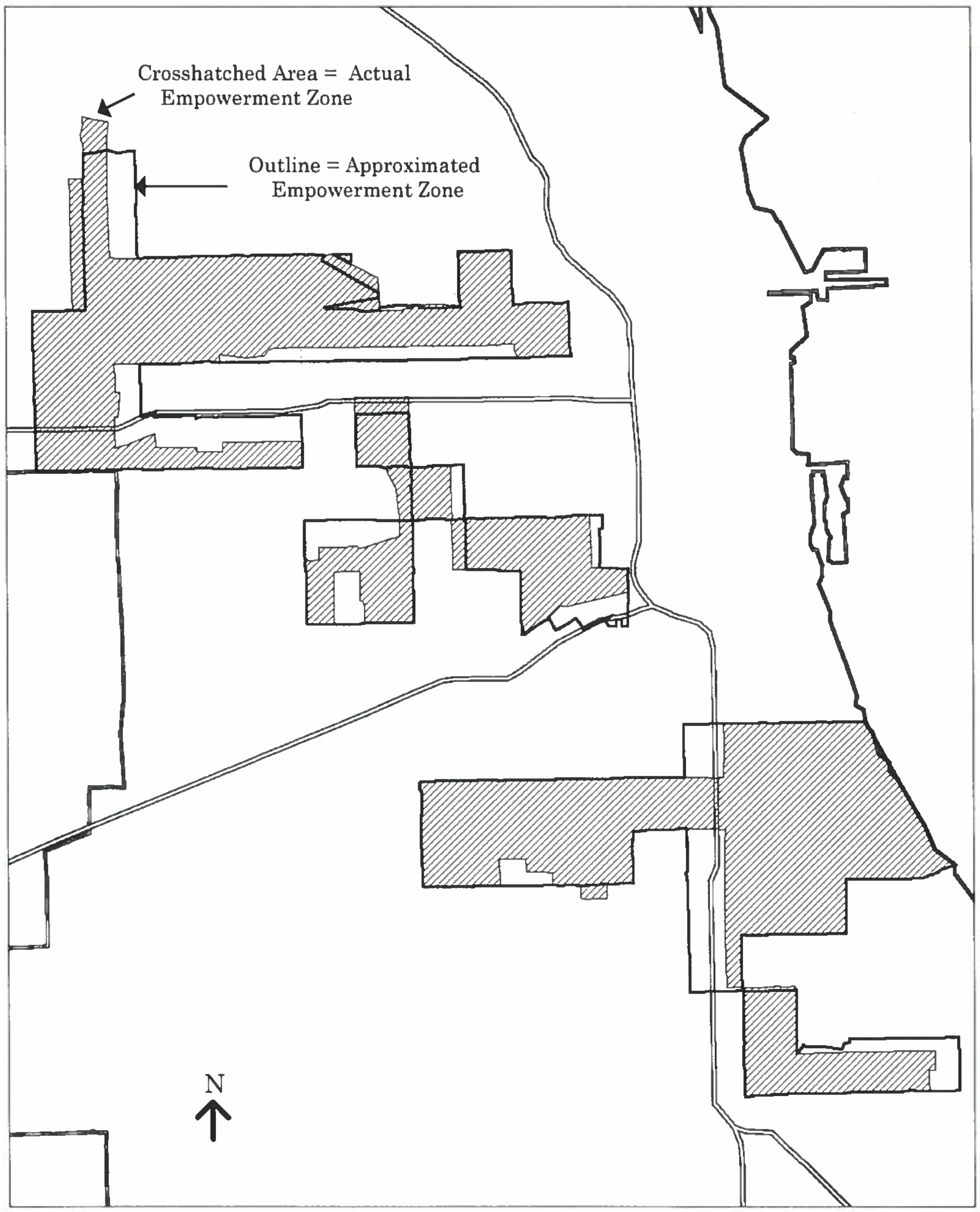

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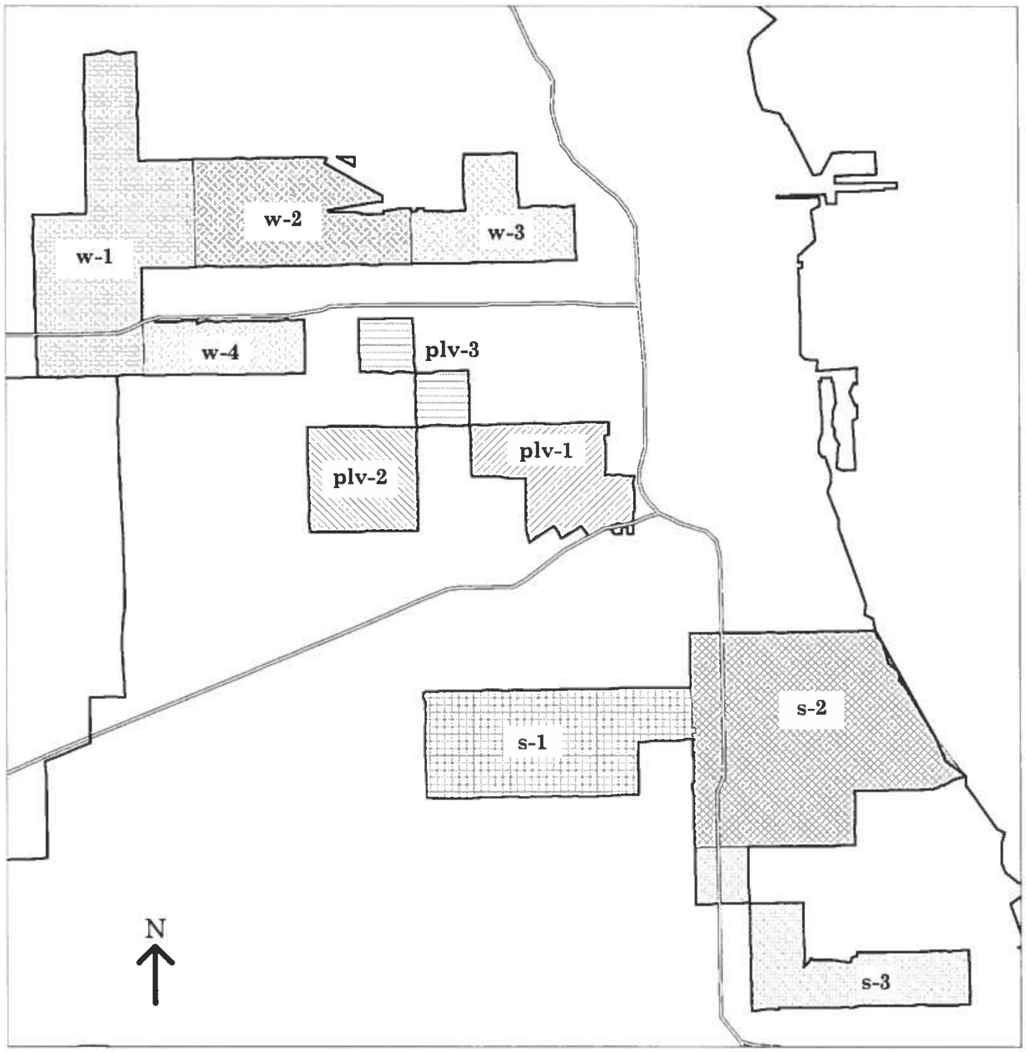
Figure 4
Empowerment Zone Subclusters



Mapping by the
Center for Neighborhood Technology

II. Residents and Jobs in the EZ

In addressing the potential for employment of EZ residents at EZ firms, it is important to understand the nature of residents and jobs in the area. If the skills of residents do not match the requirements of local jobs, for example, there will be relatively little local employment of residents. Or, if local firms in predominantly minority neighborhoods employ only a trivial number of African-Americans, then discrimination and the dominance of social networks in hiring may be key barriers to local employment.

Differences in Residents and Jobs Among the Clusters

Before comparing jobs and residents within the EZ, it is useful to take a closer look at the differences between the EZ clusters, because these differences can be quite dramatic. Table III describes the residents living in the EZ and the three clusters, and compares them to the characteristics of the 9-county Chicago metropolitan area. (Any discrepancies with Table I are due to the use of the approximated EZ in Table III.)

In addition to the racial and labor force participation differences among residents described in the first section, there are also differences between the clusters in terms of gender, earnings, and hours worked per week for employed residents.

Substantially more of the employed residents in Pilsen-Little Village Cluster are male than in other two sectors (68 percent versus 49 percent). In the other two clusters, slightly more women work than do men.

While the employment rate of the Pilsen-Little Village Cluster is much higher than those of the other two clusters, the area's mean earnings are substantially lower. Employed residents of Pilsen-Little Village earn approximately 15 percent less annually than employed residents of the other two clusters. At the same time they work, on average, more hours per week. As a result of lower hourly earnings, the much higher employment rate in Pilsen-Little Village yields only a slightly higher household income than in the West Cluster (1989 mean household income of $21,674 versus $20,346).

Table IV provides similar characteristics for those holding jobs in (but not necessarily living in) the EZ[18]. Again, there are significant differences between the clusters. While West and South Cluster residents are both predominantly African-American, the South Cluster has a significantly larger percentage of African-American job-holders (43 percent versus 29 percent). Moreover, more job-holders in the West Cluster are Latino than in the South Cluster (19 percent versus 14 percent).

Another difference between the clusters is the gender of job-holders. Due in part to their higher levels of industrial employment, 63 percent of job-holders in the West and Pilsen-Little Village Clusters are male, while only 55 percent of South Cluster job-holders are male, the same as the metropolitan area as a whole. The 1989 mean earnings of the jobs in each of the clusters are significantly lower than the metropolitan average of $29,793, but they are relatively close to each other. This may be somewhat surprising given the much larger number of manufacturing jobs in the West Cluster. Note, however, that the West Cluster has the smallest percentage of jobs paying less than $15,000 (in 1989) among the three areas.

Table V details the occupations, industries and sectors in which employed EZ residents work. In terms of occupations, residents of the Pilsen-Little Village Cluster are the most distinct, with very few residents employed in high-skill jobs and many in production jobs. Residents of the other two clusters, while still distributed mostly in moderate- and low-skill occupations, are employed more in administrative support, and some even in managerial positions, than in blue-collar positions.

[18] To avoid confusion, "job-holders" will be used to refer to those working in a particular location, regardless of where they live, while "employed residents" will refer to residents of an area who may work anywhere.

Table III
Characteristics of EZ* Residents

	West Cluster	Pilsen-LV Cluster	South Cluster	Total EZ	Metro Area
NUMBER OF RESIDENTS	71,193	49,938	104,972	226,103	7,429,181
NUMBER OF EMPLOYED RESIDENTS	18,708	17,612	20,163	56,483	3,563,603
NUMBER OF HOUSEHOLDS	20,879	12,964	36,036	69,879	2,675,257
MEAN HOUSEHOLD INCOME(1989)	$20,346	$21,674	$14,545	$17,601	$45,786
HOUSHOLDS BY INCOME(1989):					
Percent under $15,000	51%	42%	68%	58%	19%
Percent $15,000-24,999	17%	24%	14%	17%	14%
Percent $25,000-49,999	24%	27%	13%	19%	34%
Percent $50,000 and up	8%	8%	5%	6%	33%
MEAN EARNINGS OF EMPL. RES'NTS(1989)	$16,406	$13,820	$16,194	$15,536	$28,609
WORKERS BY EARNINGS:					
Number under $15,000	52%	64%	55%	57%	34%
Number $15,000-24,999	31%	26%	25%	27%	24%
Number $25,000-34,999	11%	7%	13%	11%	18%
Percent $35,000 and up	6%	3%	7%	5%	24%
RACE/ORGIN OF RESIDENTS					
White	3%	6%	3%	4%	66%
African American	90%	9%	90%	72%	19%
Latino	6%	84%	6%	24%	11%
Other	0%	0%	0%	0%	4%
EMPLOYMENT STATUS:					
NUMBER OF PERSONS 16 AND OLDER	49,068	33,131	69,727	151,926	5,700,958
Number in the Labor Force	25,892	21,272	29,650	76,814	3,897,608
Unemployment Rate	26%	15%	30%	24%	7%
Percent Not in Labor Force	47%	36%	57%	49%	32%
Male Unemployment Rate	29%	14%	29%	24%	7%
Female Unemployment Rate	22%	17%	30%	25%	6%
GENDER OF EMPLOYED RESIDENTS:					
Male	49%	68%	49%	55%	54%
Female	51%	32%	50%	45%	46%
HOURS WORKED IN WEEK:					
1-20 hours	10%	6%	14%	10%	10%
21 to 34 hours	9%	8%	11%	9%	9%
35+ hours	82%	86%	75%	81%	81%

* Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

Table IV
Characteristics of EZ* Job-Holders

	West Cluster	Pilsen-LV Cluster	South Cluster	Empowerment Zone	Metro Area
NUMBER OF JOBS	35,669	14,721	29,243	79,633	3,635,769
MEAN EARNINGS OF JOB-HOLDERS(1989)	$27,039	$26,334	$26,064	$26,553	$29,793
EARNINGS OF JOB-HOLDERS					
Percent under $15,000	32%	41%	34%	35%	34%
Percent under $15,000-24,999	27%	25%	25%	26%	24%
Percent $25,000-34,999	19%	16%	17%	18%	18%
Percent $35,000 and up	22%	19%	23%	22%	24%
RACE/ORGIN OF JOB-HOLDERS					
White	48%	42%	40%	44%	73%
African American	29%	19%	43%	32%	14%
Latino	19%	36%	14%	20%	10%
Other	4%	3%	3%	3%	4%
GENDER OF JOB-HOLDERS					
Males	63%	63%	55%	60%	55%
Females	37%	37%	45%	40%	45%
HOURS WORKED IN WEEK BY JOBHOLDERS					
1 to 20 hours	6%	8%	9%	8%	10%
21 to 34 hours	7%	9%	9%	8%	9%
35+ hours	86%	83%	82%	84%	81%

* Approximated Empowerment Zone; all data from 1990 Census CTPP- Chicago

Table V
Occupations, Industries and Sectors of Employed EZ* Residents

	West Cluster	Pilsen-LV Cluster	South Cluster	Total EZ	Metro Area
NUMBER OF EMPLOYED RESIDENTS	18,708	17,612	20,163	56,483	3,563,603
OCCUPATION					
Executive, Professional & Technical	14%	9%	18%	14%	32%
Sales Occupations	7%	5%	9%	7%	13%
Administrative Support	22%	11%	22%	19%	19%
Service Occupations	17%	15%	19%	17%	9%
Precision Production, Craft & Repair	9%	14%	7%	10%	10%
Machine Operator,Assemblers & Inspectors	12%	25%	7%	14%	7%
Transportation& Material Moving	6%	4%	5%	5%	4%
Handlers, Equipment Cleaners & Helpers	8%	14%	6%	9%	4%
Other	5%	4%	6%	5%	3%
INDUSTRY					
Construction	3%	6%	4%	4%	5%
Manufacturing	21%	40%	13%	24%	19%
Transport., Comm. & Pub. Utilities	10%	5%	10%	9%	8%
Wholesale Trade	4%	7%	3%	4%	6%
Retail Trade	15%	14%	16%	15%	16%
Finance, Insurance & Real Estate	6%	3%	8%	6%	9%
Business & Repair Services	7%	5%	6%	6%	5%
Health Services	10%	4%	9%	8%	8%
Education Services	8%	3%	10%	7%	7%
Public Administration	5%	2%	7%	5%	3%
Other	11%	11%	15%	12%	13%
SECTOR					
for-profit wage & salary	70%	83%	63%	71%	75%
not-for-profit	7%	6%	10%	8%	8%
government workers	21%	7%	24%	18%	12%
self employed workers	2%	3%	2%	3%	5%
unpaid family workers	0%	1%	0%	0%	0%

* Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

Table VI
Occupations, Industries and Sectors of EZ* Jobs

	West Cluster	Pilsen-LV Cluster	South Cluster	Total EZ	Metro Area
NUMBER OF JOBS	35,669	14,721	29,243	79,633	3,635,769
OCCUPATION					
Executive, Professional & Technical	25%	25%	31%	27%	32%
Sales Occupations	9%	9%	8%	9%	12%
Administrative Support	14%	15%	17%	15%	19%
Service Occupations	7%	9%	11%	9%	9%
Precision Production, Craft & Repair	15%	14%	10%	13%	10%
Machine Operator,Assemblers & Inspectors	14%	10%	8%	11%	7%
Transportation& Material Moving	6%	8%	5%	6%	4%
Handlers, Equipment Cleaners & Helpers	7%	7%	4%	6%	4%
Other	3%	3%	5%	4%	3%
INDUSTRY					
Construction	5%	6%	4%	5%	5%
Manufacturing	36%	25%	19%	28%	19%
Transport., Comm. & Pub. Utilities	9%	9%	8%	9%	8%
Wholesale Trade	7%	8%	5%	7%	6%
Retail Trade	11%	15%	12%	12%	16%
Finance, Insurance & Real Estate	3%	4%	5%	4%	9%
Business & Repair Services	4%	5%	6%	5%	5%
Health Services	5%	5%	6%	5%	8%
Education Services	6%	9%	19%	11%	7%
Public Administration	4%	4%	6%	5%	3%
Other	9%	9%	11%	10%	13%
SECTOR					
for-profit wage & salary	77%	73%	60%	70%	76%
not-for-profit	6%	8%	11%	8%	8%
government workers	13%	14%	25%	18%	12%
self employed workers	3%	5%	4%	4%	5%
unpaid family workers	0%	0%	0%	0%	0%

* Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

The breakout by industry shows Pilsen-Little Village residents concentrated heavily in manufacturing (40 percent) and less in utilities, public administration, and education services. The residents of the South and West Clusters are relatively more concentrated in transportation and utilities, health services, education, and public administration.

A substantial difference among clusters is the extent to which residents of the area work for for-profit firms. Eighty-three percent of employed Pilsen-Little Village residents work at for-profit firms, while only 70 percent of the employed residents of the West Cluster and 63 percent of those in the South Cluster work for private sector firms. This difference is consistent with significant inroads that African-Americans have made into public sector and nonprofit employment. This has been due not only to affirmative action programs in public agencies but also to the role of social networks that become inextricably tied to specific industries and sectors. African-Americans find relatively less discrimination in the public sector than in the private sector.

Latinos, including the residents of Pilsen-Little Village, are disproportionately employed in manufacturing both because difficulties with English make it difficult to penetrate some white-collar jobs, and because the networks through which employers recruit and workers search for jobs are often comprised of friends and relatives, leading to more opportunities for Latinos in such jobs. Manufacturers, in particular, rely more on word-of-mouth and informal networks than other types of employers.[19]

Table VI, shows occupational, industrial, and sectoral breakdowns of the jobs located in the EZ. The types of jobs in the EZ are significantly different from the metropolitan mix. Particularly noteworthy is the EZ's significant industrial base, with 28 percent of jobs in manufacturing compared to a regional level of 19 percent. The area also has a significantly lower level of private sector jobs than the metropolitan level (70 percent versus 76 percent). These two important characteristics, however, are derived from different parts of the EZ.

The West Cluster is the most industrial, with 36 percent manufacturing jobs. The South Cluster is the least industrial, and the industry that it does have is concentrated in the Stockyards area. The South Cluster is notable for its substantial number of educational service jobs, many of which are located at the Chicago Board of Education headquarters in the Stockyards, part of the Cluster. This correlates with the South Cluster's low level of private sector jobs (60 percent).

Comparing Residents and Jobs in the EZ and the Clusters - Occupations, Industries, and Sectors

The more that jobs in a neighborhood match the skills and occupational make-up of its residents, the greater potential there is for employment of residents in the neighborhood. If a low-income neighborhood is home only to high-tech firms employing highly skilled technicians and professionals, it is unlikely that many residents will work in the neighborhood.

Figures 5 and 6 compare the occupations of EZ residents to those of EZ jobs. As should be expected, EZ residents generally work in lower-skill occupations than do EZ jobholders, which include executives and managers at local firms. When looking beyond the mismatch in high-skill occupations, however, the EZ as a whole does not seem to exhibit a huge skill mismatch between jobs and residents. The lower-skill "blue-collar occupations" account for approximately 29 percent of employed EZ residents, while they account for approximately 23 percent of EZ jobs.[20] The biggest mismatch is in service occupations, in which 17 percent of employed residents work, but which constitute only 9 percent of area jobs.

[19] H. Holzer, *What Employers Want*, 1996.

[20] Lower-skill blue-collar occupations include handlers, equipment cleaners and helpers; transportation and material moving; and machine operators, assemblers and inspectors.

The occupational mismatches are more severe when looking at individual clusters. Tables V and VI, can be used to compare the occupations of residents and jobs in each of the clusters. In the West Cluster, residents are heavily concentrated in service occupations, with above-average representation in administrative support and machine operators, assemblers and inspectors. But even though 15 percent of the Cluster's jobs are precision production (compared to a 10 percent rate for the metro area), only 9 percent of residents work in this occupation. And there are relatively few jobs in the administrative support (14 percent versus 19 percent metro) and service occupations (7 percent versus 9 percent metro), in which residents tend to be employed.

In the Pilsen-Little Village Cluster, there is a severe mismatch in high-skill occupations, with only 9 percent of residents in executive, managerial, and technical positions, while 25 percent of area jobs are in these fields. There is also a substantial mismatch in lower-skill blue-collar jobs, with 42 percent of employed residents in such positions, but only 25 percent of jobs in these fields.

In the South Cluster, the level of occupational mismatch is less severe than in the other two clusters. (This does not account for the unemployed or those out of the labor force.) While there is substantial mismatch in high-skilled occupations, the mismatch among lower-skill jobs is not as great. The area is less blue-collar than the West Cluster, and this matches the occupations of the residents better. The area has more service and administrative support jobs than the West Cluster, making the jobs somewhat more similar to residents' occupations.

Comparing Tables V and VI reveals that there is also some mismatch between EZ residents and jobs by industry. Residents are employed more in retail (15 percent vs. 12 percent) and health services (8 percent vs. 5 percent) than the corresponding portion of EZ jobs. They also work less in manufacturing (24 percent vs. 28 percent) than the corresponding portion of the area's job base.

Again, the mismatches are more pronounced when looking at individual clusters. Figures 7 and 8 illustrate the differences between the industrial mix of jobs and employed residents in the West Cluster. Cluster residents work in manufacturing at a rate only slightly higher than the regional average (21 vs. 19 percent), even though manufacturing accounts for 36 percent of the jobs in the cluster.

In Pilsen-Little Village, the situation is reversed, with manufacturing accounting for 40 percent of residents' occupations, but only 25 percent of area jobs. In the South Cluster, jobs fall disproportionately into education services, accounting for 19 percent of jobs (due in part to Chicago Board of Education headquarters in the Stockyards section of the Cluster), but residents work in education at only slightly above average rates.

Another important factor in access to local jobs is the relative strength of the different economic sectors: private, public and/or non-profit. When looking at the EZ as a whole, the sectoral breakout is similar for both employed residents and jobs in the area, with private sector jobs constituting about 70-71 percent of employment. But, when looking at clusters individually, differences between employed residents and jobs within each sector become apparent.

As noted above, residents in the West and especially the South Cluster are employed heavily outside of the private sector, particularly in government jobs. Only 63 percent of employed South Cluster residents work in private sector jobs, with most of the rest working for government employers. At the same time, a relatively small portion of South Cluster jobs are in the private sector (60 percent), compared to the metro area (76 percent).

Conversely, in the West Cluster a substantially larger share of local jobs are in the private sector (77 percent), while residents disproportionately find work in the public sector (21 percent versus the metropolitan rate of 12 percent). This type of mismatch also occurs in Pilsen-Little Village, with residents working in private sector jobs at high rates (83 percent) while local jobs are more dispersed across sectors (73 percent private).

Due to affirmative action and access to employment networks, African-Americans may find better opportunities at public sector employers. Moreover, unionization has maintained the wage levels of public employees over recent decades while wages for modest-skilled work at private employers have fallen. Thus, some level of mismatch in the West Cluster may be due to moderate-skill employed residents finding relatively good jobs in public sector agencies, which tend to be located outside of the Cluster.

It is important to recognize that occupational, industrial, and sectoral mismatches become more aggravated as the geography and the numbers of jobs and residents get smaller. While not analyzed specifically here, these mismatches vary more when examined at the subcluster level. For example, fewer than 12 percent of the jobs and only about 10 percent of employed residents in s-2 (greater Grand Boulevard) are in manufacturing. (See Figure 4 above to identify the locations of subclusters.) In w-1 (Austin), on the other hand, 44 percent of the jobs are in manufacturing, but only 20 percent of employed residents work in manufacturing. This much larger mismatch, and the resulting occupational mismatch, is related to low levels of local working. For whatever reason, if residents tend not to work in manufacturing -- which will be the case in many African-American neighborhoods -- they will tend not to work in the West Cluster.

Mismatches by industry, occupation, and sector are to some extent the legacies of economic and social restructuring of metropolitan labor markets over the past 30 years. While African-Americans were heavily employed in manufacturing in the two to three decades following World War II, deindustrialization has hit them harder than other groups. In a survey of inner-city residents in 1987, only 21 percent of employed African-American men ages 18 to 26 were working in manufacturing or construction jobs.[21] From the same survey, 52 percent of African-American men who were ages 18 to 22 and employed in 1978 were working in manufacturing or construction industries less than a decade earlier. Meanwhile, young, inner-city Latino men were working in manufacturing at rates exceeding 30 percent in 1987.

Comparing the Race and Ethnicity of Residents and Job-Holders

To identify potential racial barriers to employment due to discrimination or social networks, it is useful to compare the racial characteristics of residents and job-holders in an area. Besides overt and statistical discrimination, the social networks used by those in lower-skill occupations to find work can be heavily race- or ethnicity-based, locking out some from nearby job opportunities. Employers often utilize such networks to screen out "undesirable" applicants. By relying on the referrals of preferred employees, employers believe they are identifying a reliable applicant pool. Thus, if an employer's existing workers are of one ethnic or racial group, there may be a substantial race-based *inertia* that will make it difficult for those from other racial or ethnic groups to learn about job openings at the company.

Because labor-markets are substantially, but not entirely, regional in nature, we should not expect the racial and ethnic makeup of job-holders in an area to mirror the residential makeup of an area closely. On the other hand, if an area is predominantly African-American or Latino we should expect local firms, on average, to hire significantly more African-Americans or Latinos than the average firm across the metropolitan area.

Figures 9 and 10 compare the racial and ethnic composition of EZ residents to the makeup of EZ job-holders. Seventy-two percent of EZ residents are African-American and 24 percent are Latino. Thirty-two percent of job-holders are African-American and 20 percent are Latino. Across the metropolitan area, African-Americans make up 14 percent of workers, while Latinos constitute 10 percent.

[21] W.J. Wilson, *When Work Disappears*, 1996.

While the racial composition of residents in the West and South Cluster are almost identical, the composition of job-holders is not. Forty-three percent of job-holders in the South Cluster are African-American, and 14 percent are Latino. In the West Cluster, 29 percent of job-holders are African-American and 19 percent are Latino.

Once again, when subclusters are examined, larger differences are detected. Table VII shows that the racial composition of neighborhood residents does correspond, to some degree, to the racial composition of job-holders. Subclusters whose residents are predominantly African-American generally have higher percentages of African-American job-holders. The same is true for Latinos. In all subclusters that are predominantly African-American, at least 30 percent of job-holders are African-American. Yet, some predominantly African-American subclusters, especially s-2 and s-3, see much higher percentages of job-holders who are African-American than others, such as w-1 and w-2.

Table VIII compares the portion of job-holders in each subcluster that are African-American to the share of all metropolitan workers who are African-American. It provides a "black employment index," which measures the extent to which local jobs are held by African-Americans vis-à-vis the metropolitan labor market. The index is equal to the local share of African-American job-holders divided by the metropolitan share. In African-American areas, the index should be significantly greater than one. While this is the case in all the predominantly African-American subclusters, the ratio is larger in African-American South subclusters (4.48, 3.69) than it is in the African-American West subclusters (2.95. 2.52, 2.44).

The differences in racial composition of job-holders correspond closely to the higher levels of local working in the South Cluster, especially in the case of s-2. The higher level of African-American job-holders in the South Cluster is partly explained by three phenomena: more of these jobs are in the public or nonprofit sector; fewer jobs are in industrial firms; and more jobs are likely to be at minority-owned firms.

Table VII
Comparison of Race and Ethnicity of Residents vs. Job-Holders in EZ* Subclusters

		% African-American		% Latino	
Subcluster	Associated Community	Residents	Job-Holders	Residents	Job-Holders
w-1	Austin	98%	30%	1%	20%
w-2	Garfield/Humboldt	98%	35%	0%	20%
w-3	Near West	47%	22%	39%	18%
w-4	Lawndale	99%	41%	0%	18%
plv-1	Pilsen	1%	18%	92%	37%
plv-2	Little Village	11%	15%	84%	38%
plv-3	Near West/Lawndale	58%	29%	32%	27%
s-1	Stockyards	1%	28%	76%	20%
s-2	Greater Grand Blvd	99%	63%	0%	7%
s-3	Woodlawn/Wash. Park	96%	52%	0%	6%
Metro Area		19%	14%	11%	10%

*Approximated Empowerment Zone; All data from 1990 Census CTPP-Chicago

Table VIII
Calculation of Black Employment Index for Jobs in EZ* Subclusters

			B	C	B/C
		% African-American			
Subcluster	Associated Community	Area Residents	Area Job-Holders	Metropolitan Job-Holders	Black Employment Index
w-1	Austin	98%	30%	14%	2.14
w-2	Garfield/Humboldt	98%	35%	14%	2.51
w-3	Near West	47%	22%	14%	1.60
w-4	Lawndale	99%	41%	14%	2.95
plv-1	Pilsen	1%	18%	14%	1.31
plv-2	Little Village	11%	15%	14%	1.09
plv-3	Near West/Lawndale	58%	29%	14%	2.05
s-1	Stockyards	1%	28%	14%	2.02
s-2	Greater Grand Blvd	99%	63%	14%	4.48
s-3	Woodlawn/Wash. Park	96%	52%	14%	3.69
Metro Area		19%	14%		

* Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

III. Commuting and Local Working in the EZ

The employment impact of economic development in the EZ depends on the extent to which EZ residents are employed in the new jobs created or retained by EZ policies and programs. While the EZ employment tax credit is tied directly to the employment of residents, other EZ funding sources are only indirectly linked to the employment of residents. Alternative EZ legislation proposed by some that provides incentives tied less directly to the employment of residents.[22]

Even in the case of the current tax credit program, the incentive may not be sufficient to affect local hiring among EZ firms. Evidence on existing employment tax credit programs suggest that such incentives may not be sufficient to encourage the hiring of hard-to-employ individuals. If barriers due to networks, skill requirements, and discrimination are very large, employment tax credits *alone* may be insufficient to affect the employment prospects of residents at local firms.

Some EZ incentives, such as access to tax-exempt bond financing, are only available to firms which employ certain levels of EZ residents (35 percent of employees must live in the EZ). Yet little is known about how many EZ residents do work in the EZ currently, or what portion of jobs in the EZ are held by residents. How many employers are likely to be able to achieve such a level of local hiring, especially given the convoluted shape of the EZ? Without information on local working patterns, it is impossible to identify appropriate local employment objectives.

Understanding how neighborhoods vary in their levels of local hiring and local employment can be used to infer important lessons about barriers between residents and employers. Without knowing more about the tendencies of residents to work in the EZ, it is difficult to assess the employment promise of various incentives and development projects.

To get at these issues, we first look at the extent to which residents of the three EZ clusters work in their own cluster, or in the EZ as a whole. To permit finer analysis, we map the local working patterns in different smaller parts of the clusters, or subclusters. By breaking the EZ up into more units, we can identify "outliers" that do not seem to fit the general patterns of local working and attempt to explain what sets them apart.

Commuting Patterns of EZ Residents

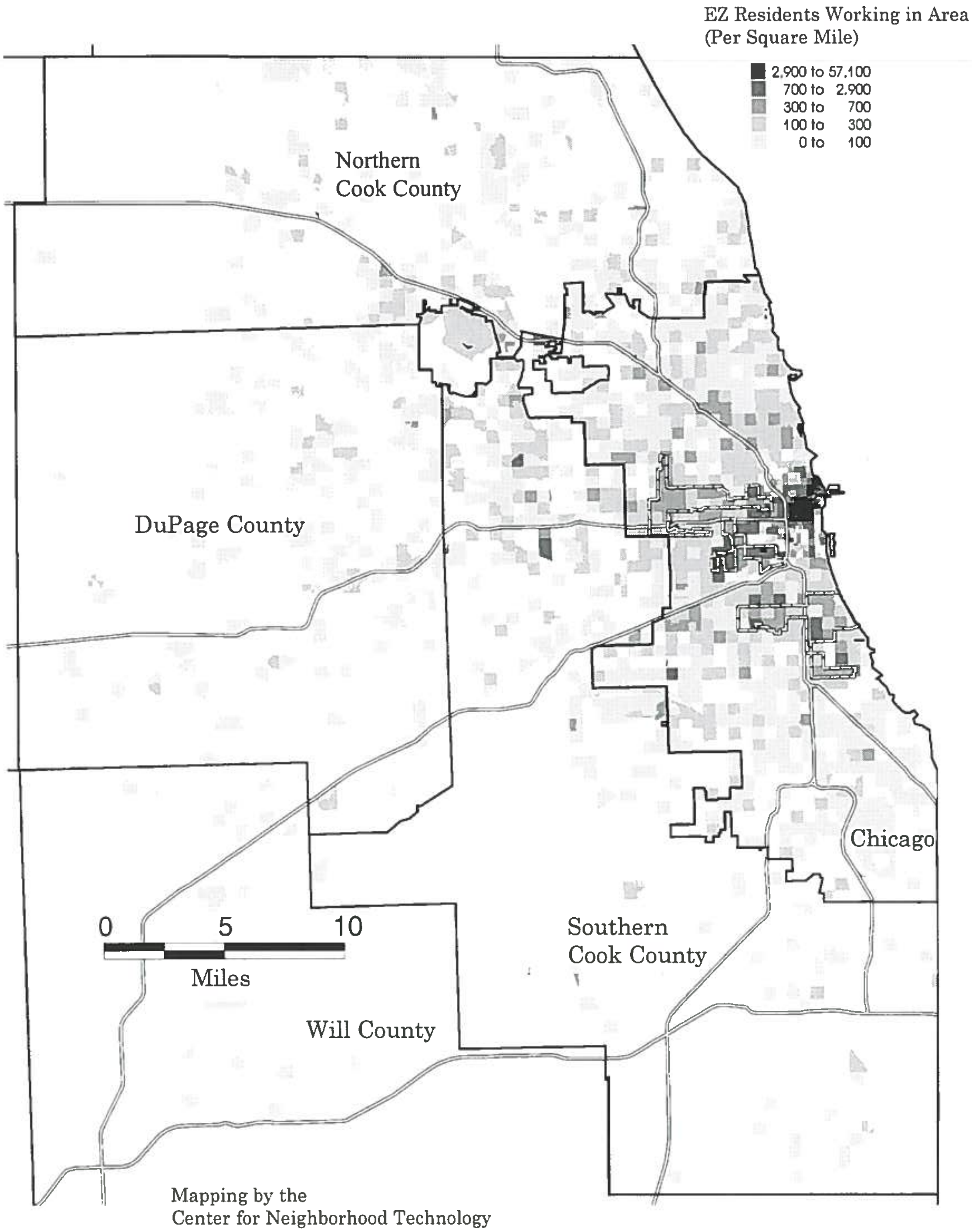
Figure 11 maps the daily work trips of employed residents of the EZ to quartersections throughout Cook and DuPage counties. One reason that many residents may commute to any particular area is that the area has lots of jobs. Areas with more jobs are expected to see more EZ residents commuting to the area, other things being equal. Thus, Figure 11 is best viewed in comparison to Figure 12, which shows the total number of low- and moderate-skill jobs in every quartersection in Cook and DuPage counties.

Figure 13 and 14 correspond to Figures 11 and 12 and give the percentages of employed EZ residents working in each part of the nine-county metropolitan area and the distribution of jobs throughout the region, respectively.

Fourteen percent of employed EZ residents work in the EZ; 43 percent work in other city neighborhoods; and 20 percent work in the central business district. Only about 20 percent work in the suburbs, even though the suburbs account for approximately 58 percent of all jobs in the metropolitan area as of 1990.

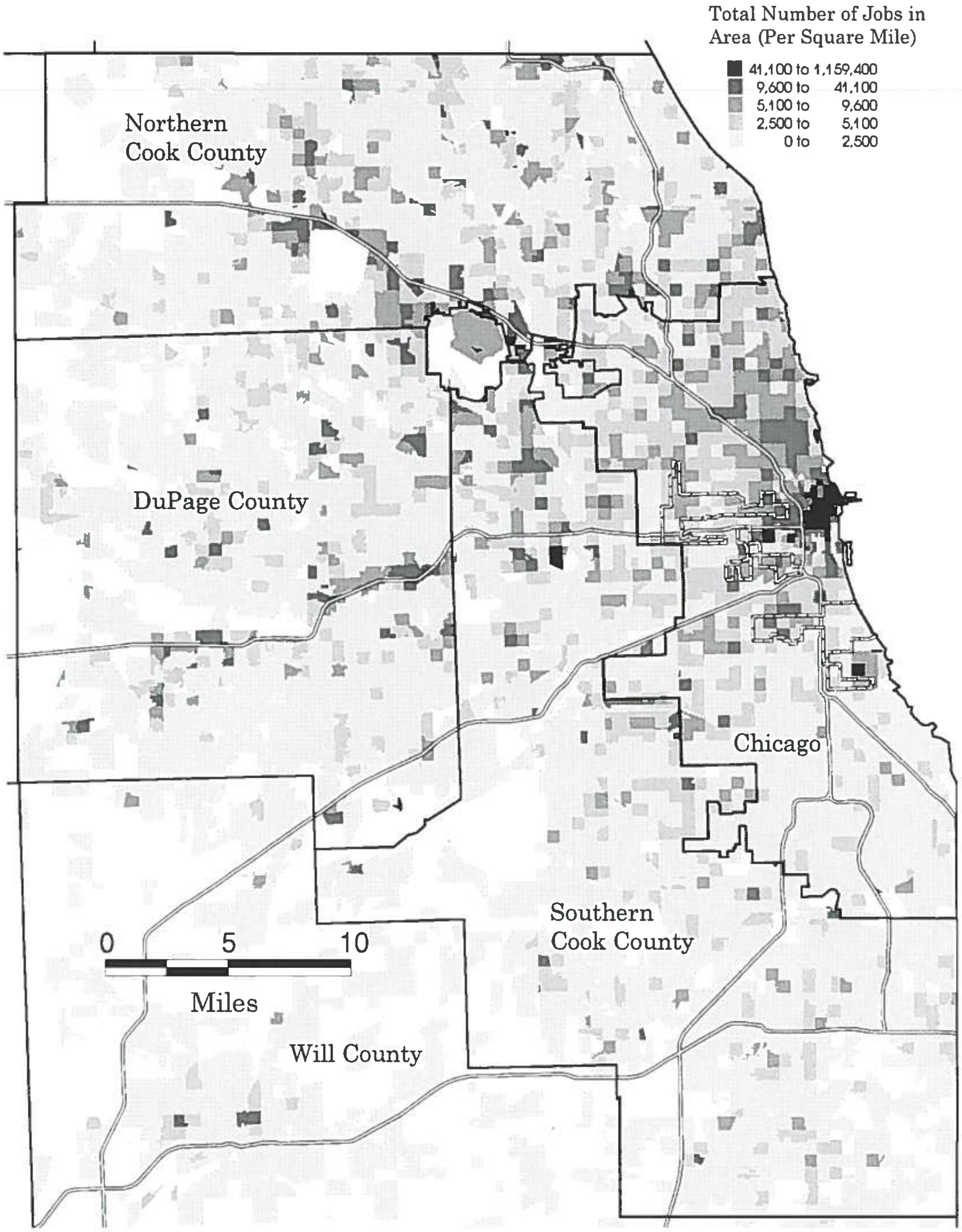
[22] Many state enterprise zone program incentives and previous federal proposals, contain incentives not tied to the employment of local residents. For more information on these policies see, R. E. Green, *Enterprise Zones: New Directions in Economic Development*, Newbury Park, Sage Publications, 1991.

Figure 11
Number of EZ* Residents Working in Different Parts of the Chicago Area



* Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

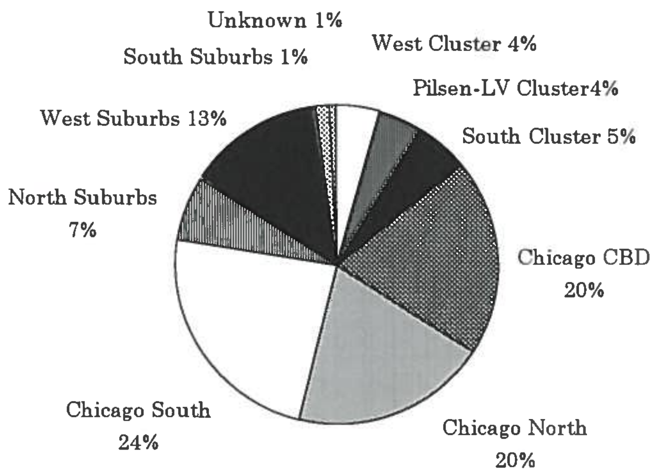
Figure 12
Distribution of All Jobs Across Chicago Area*



Mapping by the
Center for Neighborhood Technology

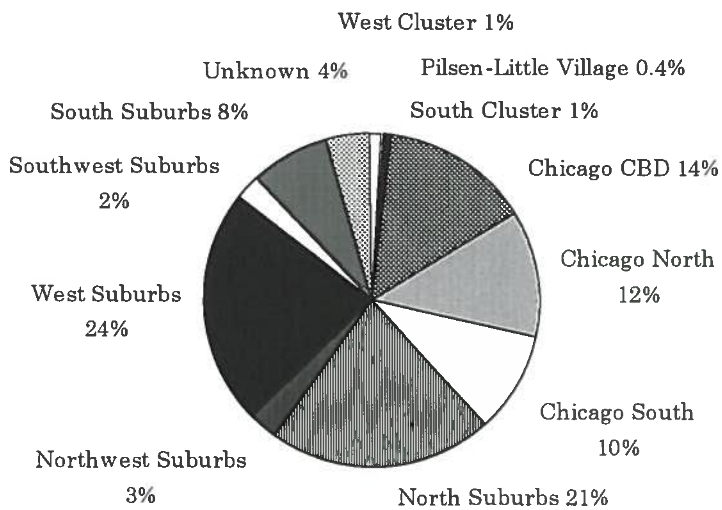
* All data from 1990 Census CTPP-Chicago

Figure 13
Workplaces of Employed EZ Residents
(Not Working at Home)



*Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

Figure 14
Distribution of Jobs* in Chicago Metropolitan Area**



*Does not include those working at home
** 9-county metropolitan region
Data from 1990 Census CTPP-Chicago

Table IX presents the flip side to Figures 11 through 14. It indicates where those holding jobs in the EZ and the various clusters live. Figure 15 maps those commuting into the EZ. Only 10 percent of job-holders in the entire EZ actually live in the EZ, with a significantly higher rate in Pilsen-Little Village and a lower rate in the West Cluster. When looking at the portions of cluster jobs held by residents of the same cluster, the variation is also large. Only 4 percent of the jobs in the West Cluster are held by West Cluster residents, even though the Cluster has roughly the same magnitude of employed residents as the other two clusters. The Pilsen-Little Village Cluster has the smallest number of employed residents yet it has by far the largest portion of cluster jobs held by cluster residents.

Table IX
Portions of Jobs Held by EZ* Residents

	West Cluster	Pilsen-Little Village Cluster	South Cluster	Entire EZ
Percent of Area Jobs Held by EZ Residents	6.9%	16.9%	10.4%	10.1%
Percent of Area Jobs Held by Area Residents	4.2%	14.0%	8.8%	10.1%
Percent of Area Jobs Held by non-EZ City Residents	56.6%	53.4%	65.3%	59.2%

* Approximated Empowerment Zone; all data from 1990 Census CTPP

Local Working in the EZ

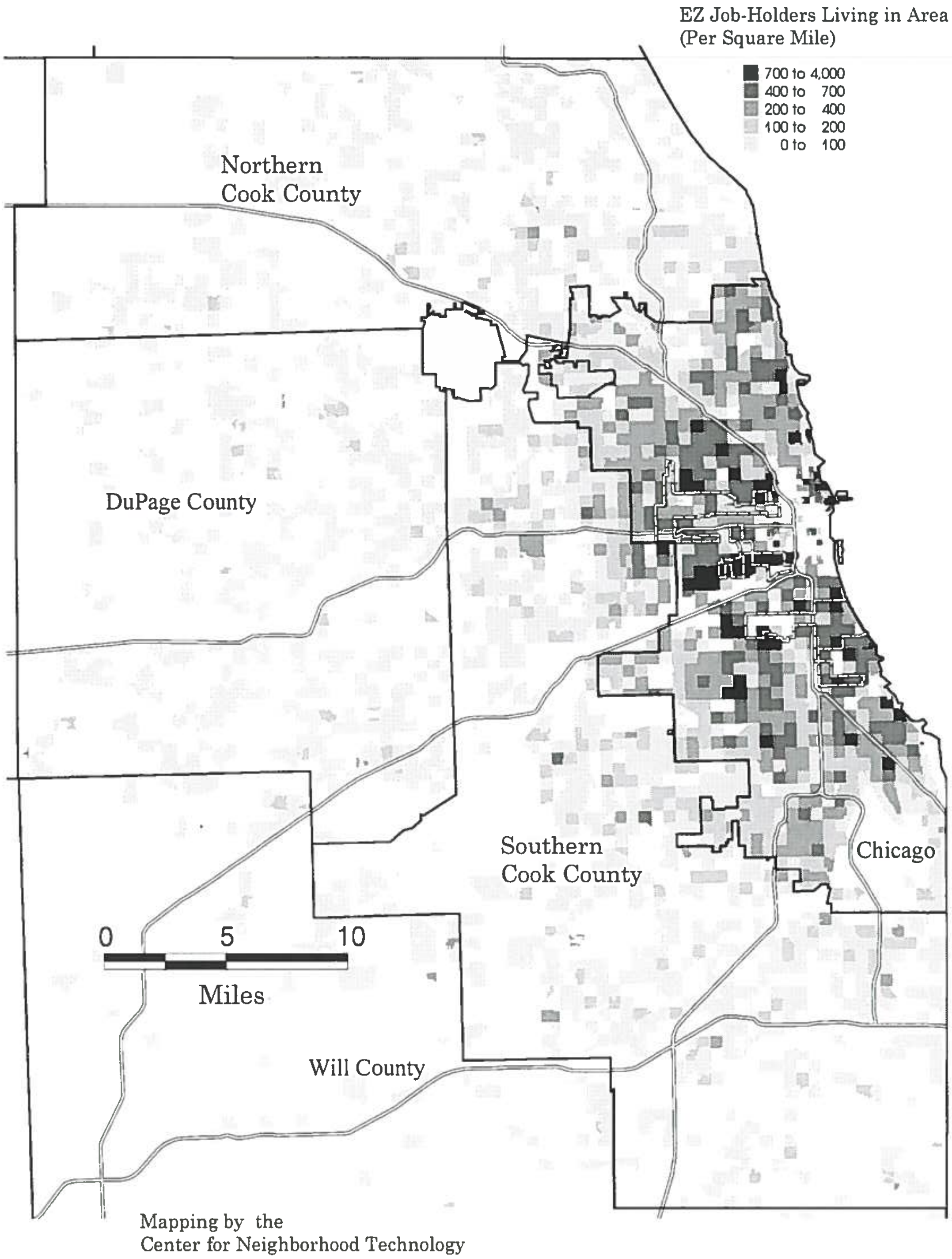
Table X describes the extent to which residents from each cluster work in the EZ and in their own cluster, or what we call *local working*. It gives the percentage of employed residents of each cluster who work in the EZ.

While approximately 14 percent of all EZ employed residents work in the EZ, the level is substantially higher in the South and Pilsen-Little Village Clusters than in the West Cluster, where only slightly more than 10 percent of employed residents work in the EZ. Residents of the South Cluster work in the EZ at a 57 percent greater rate than residents of the West Cluster. Residents of the Pilsen-Little Village Cluster work in the EZ at a 54 percent greater rate than West Cluster residents.

Table X also gives the percentage of employed residents in each area who work in the same area. It then calculates a *local working index* which accounts for the number of jobs in each cluster. Again, in areas with fewer jobs, we expect to see smaller percentages of residents working within the area. The local working index controls each area's share of the metropolitan job base. While a somewhat larger share of South Cluster residents work in their own cluster than is the case in the Pilsen-Little Village cluster, accounting for the smaller job base in Pilsen-Little Village results in a substantially higher local working index for the area. Thus, given the number of jobs in the different areas, Pilsen-Little Village residents work within the cluster at substantially higher rates than residents of the South or West Clusters. Moreover, South Cluster residents work locally at a substantially higher rate than West Cluster residents.

Though it has the most jobs of any cluster, and roughly the same number of employed residents, the West Cluster has substantially fewer residents employed in the same cluster. Again, as the jobs in a cluster increase, we would generally expect a larger share of residents to work in the cluster. But as the number of jobs doubles in going from the Pilsen-Little Village cluster to the South Cluster, the percentage of residents working within the same cluster increases only slightly. While the West Cluster has even more jobs, it has by far the smallest portion of residents working

Figure 15
Number of EZ* Job-Holders Living in Different Parts of Chicago Area (Where EZ Job-Holders Live)



* Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

Table X
Local Working Index for the EZ* and Clusters

	West Cluster	Pilsen-Little Village Cluster	South Cluster	Entire EZ
A. Percent of Employed Residents Working in EZ	10.3%	16.0%	16.2%	14.2%
B. Percent of Employed Residents Working in Same Area	8.0%	11.7%	12.8%	14.2%
C. Percent of Metro Jobs in Area	1.0%	0.4%	0.8%	2.2%
D. Local Working Index = B/C	8.04	28.72	15.74	6.39

*Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

within the cluster. The long, narrow shape of the West Cluster may explain some, but not all, of its low local working. As an area becomes less circular in shape, it is likely to have a lower local working index, other things being equal.

Figure 16 shows that, when the clusters are disaggregated further into subclusters, most parts of the West Cluster, including the Austin, south Humboldt Park/Garfield Park, and North Lawndale subclusters (w-1, w-2, and w-4) have relatively few residents working in the same subclusters or in the EZ as a whole. It also shows that even though there are roughly the same number of jobs in plv-1 (Pilsen), plv-2 (Little Village), and s-2 (greater Grand Boulevard) the portion of local residents working within the corresponding subcluster is roughly twice as large in these neighborhoods as in w-2. Similarly, even though the w-1 subcluster (Austin area) has slightly more jobs than s-1 (Stockyards area), less than 5 percent of w-1 residents work in w-1, while more than 14 percent of s-1 residents work in s-1.

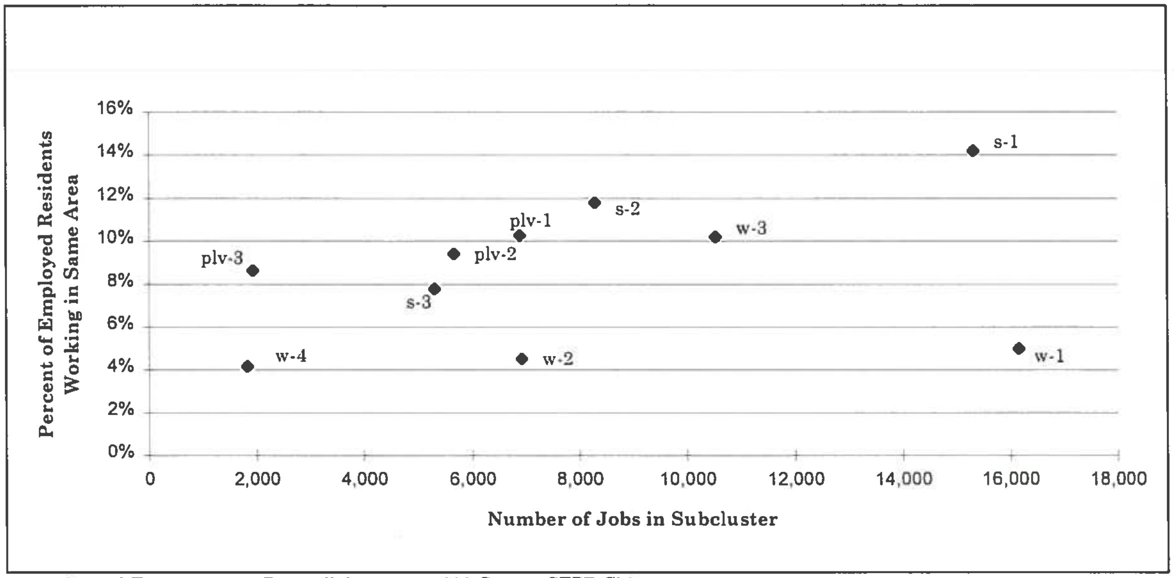
What sets the West Cluster (or at least w-1, w-2, and w-4) apart from most of the other Clusters in terms of local working? First, the West Cluster contains a larger number of manufacturing jobs, while West Cluster residents tend to be less frequently employed in manufacturing-related occupations. At the same time, residents tend to be overrepresented in administrative support and service occupations, which are not heavily represented in the Cluster. These occupational mismatches are likely to be manifestations of skill factors, and perhaps more importantly, of social networks -- many of which may be racially exclusive -- utilized by employers to recruit and hire workers.

One factor that may inhibit West Cluster residents from working more in manufacturing is the fact that relatively few manufacturing companies are owned by African-Americans. Black-owned firms are disproportionate employers of African-Americans. According to the 1992 Economic Census, of the approximately 65,000 black-owned businesses in the U.S., less than 2,000, or about 3 percent, are manufacturing firms.[23] Thus, it is likely that a relatively small portion of West Cluster jobs are at Black-owned firms that would tend to employ residents at higher rates.

The areas with relatively low levels of local working all have substantial numbers of manufacturing and industrial service jobs. At the same time, s-1 has many more residents working locally even though its jobs are predominantly industrial. A primary difference is that s-1 residents are predominantly Latino, and Latinos tend to be employed in manufacturing at high rates -- typically around 30 percent or more. This corroborates the notion that the race-based hiring and recruitment patterns, including the use of social networks, may go far in explaining low local working in African-American areas with substantial industrial employment.

[23] This survey includes s-corporations, partnerships, and sole proprietorships only and excludes larger c-corporations, thus perhaps underestimating the share of African-American-owned firms that are manufacturing, although probably not by much.

Figure 16
Local Working Rates for EZ* Subclusters Versus Number of Jobs in Area



* Approximated Empowerment Zone; all data from 1990 Census CTPP-Chicago

Another factor contributing to low local working levels in the West Cluster is the relatively large portion of jobs in the private sector. Seventy-seven percent of the jobs in the cluster are in the private sector versus 73 percent in Pilsen-Little Village, and only 60 percent in the South Cluster. African-Americans have seen improved access to public sector jobs over the last 30 years. Once access is improved, networks are developed and information on good jobs in the public sector becomes more available. At the same time, there are few large, private sector employers in the West Cluster. Larger firms have been under more scrutiny from federal equal employment regulators than smaller firms and have generally been more aggressive in introducing affirmative action and diversity programs. Many of these employers, especially those employing administrative support workers, are clustered in the central business district.

What explains the relatively high local working index in Pilsen-Little Village? First, other things being equal, small, relatively compact areas will tend to have more local working. Second, gender may account for some of the higher local working in the Pilsen Little-Village Cluster, where 68 percent of employed residents are male. While men are thought to work further from home, on average, if local jobs are in male-dominated occupations, local working rates will be higher when the labor force is more male. Table IV showed that jobs in the Pilsen-Little Village and West Clusters were held by males at a rate of 63 percent (versus 55 percent in the South Cluster). Thus, having many local jobs in male-dominated occupations such as precision production may account for some of the higher local working rates in the Pilsen-Little Village area.

Pilsen-Little Village's high local working is also due to the relatively lower-skill occupations in which the residents of the cluster are employed. Less-educated workers tend to work closer to home.[24] Only 9 percent of employed residents are in executive, managerial, professional or technical jobs, compared with 14 percent in the West Cluster and 18 percent

[24] W. Simpson, *Urban Structure and the Labor Market: Worker Mobility, Commuting and Unemployment in Cities.* Oxford, UK.: Clarendon Press, 1992.

in the South Cluster. These high-skill jobs tend to take workers farther from their home. Moreover, relatively few residents work in administrative support occupations, which are concentrated outside of older neighborhoods.

Another possible reason for high local working rates in Pilsen-Little Village are strong social networks that are geographically centered in and near the Cluster and that are used to identify job leads. This Cluster is densely populated and has a fairly vibrant retail economy. These factors facilitate strong intra-cluster information flow about many things, including job opportunities.

Firms in Pilsen-Little Village may be making deliberate decisions to locate or stay in the Pilsen-Little Village area in order to tap the local labor force. While manufacturers in particular are often considered "footloose," researchers have argued that some firms develop strong ties to neighborhood labor forces.[25] Interviews with Chicago area employers have revealed that many firms prefer to hire Mexican Americans for lower-skill jobs, even over white workers.[26] This has been supported by Harry Holzer's survey of employers in four other large cities.[27] This preference is due, in part, to the perception of a strong "work ethic" and, perhaps, a sense that recent immigrants may accept lower wages, although Holzer's study does not support the notion of lower reservation wages among Latinos.

Race and Local Working

There is a substantial difference between the race of job-holders and residents in the West Cluster that corresponds to the area's low level of local working. Table VII, above, shows that only 30 percent of the job-holders in w-1 are African-American, while the area is almost 100 percent African-American. Again, labor markets are metropolitan in scale, so this is not necessarily unexpected. But, in s-2, the Greater Grand Boulevard subcluster (also predominantly African-American), 63 percent of job-holders are African-American. The black employment indices calculated in Table VIII were substantially higher in predominantly African-American South subclusters (4.48, 3.69) than in the predominantly African-American West subclusters (2.95. 2.52, 2.44).

Do racial differences between local jobs and residents in parts of the EZ imply that employment discrimination is *the principal* barrier to local working? No. But the literature on the persistence of employment discrimination across the *regional* economy, suggests that it is an important barrier between firms and African-American workers, in particular. Other barriers, such as skills and networks are also determinants of local working. The occupational requirements of some nearby jobs, and the presence of better opportunities outside the neighborhood for moderate-skilled residents are major factors. Gains in public sector and large firm employment by African-Americans have changed the opportunity structure available to moderate- and high-skill African-Americans. And these jobs, by and large, are concentrated outside of African-American neighborhoods, especially in the central business district. Residents of the West and South Clusters work in the central business district more than 1.5 times the rate of Pilsen-Little Village residents (21 and 24 percent versus 14 percent).

Table XI shows that, when examining the portion of employed residents who work within two miles of their neighborhoods in the Chicago area, predominantly African-American neighborhoods experience much lower local working levels than other neighborhoods. This is *not* caused primarily by the smaller numbers of jobs near these neighborhoods.

While lower levels of nearby jobs in African-American neighborhoods do reduce the number of residents working at nearby firms, they do not explain a substantial part of the difference shown in Table X. This is demonstrated by the regression-adjusted two-mile working rates in Table XI, which adjust for the number of jobs and employed residents surround

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[25] Hanson and Pratt, *Gender, Work and Space.* London, Routledge, 1995.

[26] J. Kirschenman and Neckerman, K, " We'd love to hire them, but...: the meaning of race for employers." In *The Urban Underclass*, ed. C. Jencks and P. Peterson, 203-232. Washington, D.C.: Brookings, 1991.

[27] H. Holzer, *What Employers Want*, 1996.

ing a neighborhood. The adjusted rates for African-American neighborhoods are still much lower. It should also be noted that the average two-mile local working rate for Latino neighborhoods is somewhat higher than for nonminority neighborhoods, although the difference is quite small.

Race, basic skills, and social and familial networks are clearly intertwining factors in determining where residents of low-income neighborhoods work. These manifest themselves in occupational, industrial and sectoral differences between employed residents and local jobs, which themselves create or reinforce barriers between jobs and residents. In the West Cluster, for example, it is likely that some *employed* African-Americans seek but cannot find jobs in the area. Others are shut off from the networks that would allow them access to local jobs, and still others may be able to get local jobs but may have found better opportunities outside the neighborhood. The fact that many residents of the West Cluster work in service occupations, which are generally low quality and low paying, suggests that there remain some undesired barriers between local jobs and residents in the area that need to be addressed to increase local working in the area and in the EZ in general.

Table XI
Unadjusted and Adjusted Mean Two-Mile Working Rates for Neighborhood Residents in Chicago Area

	Race of Neighborhood Residents		
	African-American (at least 75% African-American) n = 214	Latino (at least 60% Latino) n = 41	All Other Neighborhoods n = 1,390
Unadjusted Mean Two-Mile Working Rate	10.0%	17.8%	17.1%
Mean Two-Mile Working Rate Adjusted for Nearby Jobs and Nearby Labor Force Competition	11.0%	17.7%	16.3%

Total n = 1,645

Notes: Neighborhoods are residential quartersections in Chicago and inner suburbs with at least 500 residents in the labor force.
Calculated from 1990 Census CTPP - Chicago.
Two-mile working rate = (residents working within 2 miles of neighborhood) (all employed residents).

IV. Linking Neighborhood Jobs and Community -- Lessons from Local Efforts

In examining the patterns of local working and employment in the low-income neighborhoods of the Chicago Empowerment Zone, several likely barriers between neighborhood jobs and residents were identified, including skills, networks, and statistical and overt discrimination. These barriers are not particular to the Chicago EZ. Community-based economic development and job training organizations across the country, as well as some local government agencies, have attempted to confront these barriers, either explicitly or implicitly.

While a comprehensive review of neighborhood-targeted job-training, first source hiring, and job-oriented neighborhood economic development is beyond the scope of this report, we have identified some promising examples of strategies that might be used in areas like the Chicago EZ to increase local hiring and local working. We first present some general lessons from these examples, and then provide short profiles of each program, which highlight the aspects of their work most relevant to the issues discussed in this report.

Getting a Foot in the Door

Job trainers, community-based organizations and others working to connect neighborhood residents and jobs are frequently faced with the problem of how to get firms to consider residents for job openings. Getting "a foot in the door" with employers is often the first key challenge.

At a local government level, the City of Berkeley's First Source Employment Program has been frequently cited as among the strongest "first source" hiring programs in the nation. The program encourages employers to hire locally by requiring firms seeking City permit approvals and financing options to consider seriously job applicants referred by the program for job openings. The City's leverage with local firms helps the program gain access to many employers. The program's success, however, lies in its ability to provide a valuable referral service for area employers. In fact, the program finds local work for hundreds of residents each year -- many from low-income, minority neighborhoods -- without placing any *absolute* hiring requirements on participating employers.

Fenway CDC benefited from the City of Boston's linked development law and the desire of local hospitals to improve relations with local residents to get the attention of a group of local employers. The linked development agreement spurred a local hospital to find a local organization that would pursue some mutually beneficial service with a hospital contribution. The desire of a hospital group to improve relations with its local community led to the development of the Walk to Work program. The lesson here is that both parties saw benefits to initiating a relationship and to increasing local hiring.

Some firms are averse to hiring less-educated workers on a permanent basis because they fear high costs and liabilities due to high turnover among regular hires. Some nonprofit job-training organizations have implemented modified temporary employment programs to deal with their hardest to place applicants and skeptical employers.

While conventional temporary employment can be used to provide firms with cheaper labor involving decreased wages, benefits, and job security, these programs are careful to avoid such abuses. Better termed "trial employment," they allow firms to bring on workers for a two or three month period to confirm the reliability of the worker. Firms that attempt to use such services to staff their operations regularly and do not bring workers on permanently are cut off from services.

Faced with some employers unwilling to hire their clients permanently, STRIVE, a job training nonprofit on Chicago's south and west sides, has developed a trial employment strategy. Hiring on a trial basis gives businesses the opportunity to bring in STRIVE clients with little risk and to observe the skills and work habits of employees before deciding whether to hire them on a permanent basis. Trial employment helps STRIVE form relationships with employers who otherwise would not be interested in their services and gives individuals the opportunity to prove that they are qualified to become permanent employees.

Investing in Long-Term, Business and Personal Relationships

Establishing durable relationships with individual employers is critical for organizations interested in linking neighborhood residents and jobs. It is important to build trust with firms and, in particular, with those making hiring decisions.

Many organizations take extra care in sending qualified first placements to help strengthen nascent relationships. This can help change the perceptions of many employers that less-educated or minority employees are bad workers. Referring individuals whose skills and training match employers' needs is critical to developing the trust of targeted firms.

Staff at the Greater West Town Community Development Project in Chicago emphasize the importance of balancing the least-educated, highest risk referrals with somewhat more skilled, lower risk candidates. If a single employer has a string of negative experiences with residents from an area or members of a minority group, it may exacerbate or reinforce any negative biases the employer had, making the firm even less likely to be fair in its hiring practices.

Collaborating Across Neighborhoods

Because neighborhood economic development is generally organized on a fairly small geographic scale, linking jobs resulting from development projects to residents in the same small area may have important but limited impact. Labor markets extend beyond neighborhood borders, especially for better quality jobs. To maximize synergy between adjoining and nearby neighborhood development efforts, community development corporations can develop tight networks to share job leads and pools of residents looking to work. This will serve to maximize local working and employment over a somewhat larger area than a particular neighborhood. Priority might still be given to placing residents of a particular neighborhood in jobs in that area, but when this proves unfeasible, a CDC from one area can look to residents from an adjacent neighborhood to fill jobs it has helped create.

The Comprehensive Community Revitalization Project (CCRP) in the South Bronx is attempting to develop and strengthen such synergy among CDCs working in different sections of the South Bronx. The CDCs will share job leads stemming from their various development projects. The CCRP collaborative will also allow individual CDCs to develop some specialization in different industrial sectors, providing more technical capacity in the broader area.

Incorporating Businesses into Program Design and Operations

State-of-the-art job training and placement organizations involve targeted employers from the beginning. Firms are asked to help design programs, and then are expected to donate equipment and supplies, provide speakers, and invite clients through their premises for tours and job shadowing. Again, firms are only likely to make these kinds of commitments if they recognize value in a program.

In the case of the Greater West Town/ Industrial Council of Northwest Chicago (ICNC) partnership, ICNC businesses were involved in the design of Greater West Town's woodworker and shipping and receiving training programs. Because they would be frequent targets of Greater West Town clients and recognized the need for skilled workers in the area, these firms had a vested interest in getting involved.

The Greater West Town/ICNC partnership is critical to the success of Greater West Town's job training and placement efforts. It blends an organization with residents as its primary constituency (Greater West Town) with one that has local firms as its primary constituency (ICNC). These organizations have identified some common goals but recognize their specialized expertise in the various tasks required to pull off successful, neighborhood-targeted training and placement. Greater West Town's expertise lies in identifying trainees and providing training, while ICNC's member businesses provide advice and technical assistance and encourages a culture among local businesses of working with Greater West Town clients. ICNC serves to validate Greater West Town's services and clients.

Educating Residents About Locally Prevalent Occupations

Sometimes, there is little interest among neighborhood residents in occupations that are prevalent in the local area. This may be due to stereotypes, misinformation, or just lack of knowledge about the occupations. Some men may be reluctant to work in administrative support or health care service jobs, for example. Latinos who are apprehensive about their English language skills may shy away from clerical or customer service jobs. While some of these barriers may be so entrenched that it is better to help these individuals find jobs in fields in which they have already worked, other times information on and exposure to new occupation might encourage residents to reconsider and expand their options.

One way to educate neighborhood residents about local job opportunities is through school-to-work initiatives that connect local high schools to nearby companies. WIRE-Net's DESTINY program works with a local high school to provide youth direct exposure to manufacturing occupations. Job-shadowing, where teens follow workers around during a workday, and part-time employment provide a close-up look at the day-to-day life in a manufacturing environment.

Knowing the Limits of Change

Where problems of statistical discrimination or reliance on word-of-mouth networks serve to exclude targeted populations, employers can be encouraged or enticed to reconsider and change hiring practices. In cases where overt, blatant discrimination occurs, however, it may be difficult, if not impossible, to initiate positive change, other than through assisting in the enforcement of equal opportunity laws. Community-based organizations generally have little difficulty recognizing firms that overtly discriminate.

Examples of Local and Community-Based Efforts to Link Neighborhood Jobs to Neighborhood Residents

The City of Berkeley
First Source Employment Program
Berkeley, CA

Created by the City of Berkeley's Office of Economic Development (OED) in 1986, First Source Employment Program serves as a one-stop employment-referral program for businesses. The program links unemployed and underemployed Berkeley residents who are looking for work with local employers.

The City of Berkeley requires firms receiving various development assistance or approvals to consider employing job applicants from First Source. For example, for many newly developed real estate projects, both construction contractors and businesses occupying the new development must enter into First Source agreements with the City. In addition, businesses seeking City assistance in the form of tax-exempt industrial development bonds, business loans, aid in finding sites, or loan packaging must also sign First Source agreements.

These agreements require firms to inform a First Source representative about job openings before announcing them to the general public. The City does not place absolute hiring requirements on firms with which it has First Source agreements. However, it does require these firms to take a first look at job candidates referred to them by the program. If a firm does not use any First Source candidates to fill available positions, it must provide the program with feedback on why none were hired.

Alison Page, manager of Berkeley's First Source Employment Program, points to the valuable services that First Source provides employers as the reason for the programs success. "City policies requiring certain businesses to cooperate with First Source help to give us access to lots of employers. However, our success in getting local jobs for Berkeley residents does not really come from our power over companies, but instead on our ability to provide firms with quality human resource services. Initially, most companies cooperate with us because they have to. Later, they begin to see us as more of a help than a burden."

In 1994, Bayer Pharmaceuticals, one of Berkeley's largest employers, signed a 30-year agreement with First Source that included a goal of filling 100 percent of its non-technical positions with Berkeley residents. Bayer had become concerned about its high turnover rate and inability to find qualified workers and turned to First Source to help solve these problems. The result was the creation of a high school - community college biotechnician training program.

Since 1986, over 2,300 Berkeley residents have found work through First Source. In 1995, First Source placed 180 persons, 145 of whom were minorities and 72 of whom were from Berkeley's lower-income South and West Sides. An additional 85 persons have been placed in construction jobs. Over 100 local firms have made formal First Source agreements. In addition, several other Berkeley firms have been working with First Source on a voluntary basis using the program to locate prescreened, qualified job applicants.

Fenway Community Development Corporation
Walk to Work Program
Boston, MA

Located in an ethnically diverse neighborhood just west of downtown Boston, Fenway CDC (FCDC) helps Fenway and nearby Mission Hill residents by running programs and services for the elderly, providing day care and after school care for children of working parents, and developing various neighborhood real estate projects. Fenway is a mixed-income neighborhood with many students, single parent households, elderly, and immigrants, while Mission Hill is a lower-income, predominantly African-American community.

In 1993, Beth Israel, a nearby hospital, began construction on a new center in the Fenway area. According to Boston zoning laws, businesses undergoing large construction projects must make linkage payments of one dollar per square foot to local housing or jobs programs. Beth Israel, in conjunction with The Medical and Academic and Scientific Community Organization (MASCO) of which Beth Israel is a member decided to provide a grant to FCDC to finance Walk to Work, a local job linkage/training program.

Walk to Work helps residents in Fenway and Mission Hill by giving direct referrals to local employment opportunities, offering free employment counseling and job search assistance, running pre-employment workshops, and assisting with resume writing. In addition, Walk to Work helps connect people to job training programs in the local area and throughout greater Boston.

MASCO, a consortium of Longwood Medical Area institutions located in and around the Fenway, had much to gain by funding a program like Walk to Work. For over 20-years there had been an adversarial relationship between area residents and local hospitals that wanted to expand. Heated battles were waged between residents and institutions as residents resisted expansion efforts pointing to increased traffic as a reason to keep these projects out of the Fenway. Wishing to expand without facing local resistance institutions making up MASCO found it in their best interest to work with local residents to create a situation which was acceptable to both parties.

Walk to Work was designed as a compromise between residents and MASCO institutions. Under the program, MASCO institutions agreed to fund Walk to Work and to hire many of those served by the program. In addition to providing employment opportunities to neighborhood residents, Walk to Work is intended to cut down on local traffic since residents working in the Fenway can walk rather than drive to work.

STRIVE / Chicago Employment Service
Chicago, IL

STRIVE (Support and Training Results in Valuable Employees) / Chicago Employment Service is a Chicago-based job training and placement organization. With offices on Chicago's south and west sides, STRIVE serves unemployed clients from the entire Chicago area. However, more than half of STRIVE clients live within the predominantly poor and minority neighborhoods a few miles from its offices. Seventy-five percent of STRIVE clients are welfare recipients, and approximately 95 percent are minority. (Eighty percent are African-American, and 15 percent are Latino.)

When beginning the STRIVE program, clients attend a four week workshop. This workshop helps clients to build their self-esteem and set goals for themselves, informs them about current labor market trends, and teaches job seeking and general workplace skills. Because STRIVE clients tend to come from difficult-to-employ populations, the program has used a variety of strategies for linking clients to employers and helping them to enter the workforce. Though not a neighborhood-based program, STRIVE has been successful in forming relationships with south and west side employers and linking residents to jobs.

STRIVE found that many employers feared that hiring less-educated workers from STRIVE's pool would entail high turnover, and therefore higher costs and legal risks. While many firms use temporary agencies to take advantage of the low wages paid to workers less likely to find permanent work, some use these agencies as "trial employment" where they can ascertain worker skills and dependability before hiring permanently.

To reach the second category of firms, STRIVE formed a partnership with a nonprofit temporary employment agency. This agency contracts with STRIVE client firms who hire the workers on a 60 day trial basis. This new initiative has already had some success in getting clients temporary work. A few STRIVE graduates have already been promoted into full-time positions. This strategy has helped STRIVE to form relationships with several employers who otherwise would not have considered hiring STRIVE graduates.

Though providing significant opportunities, finding temporary work for clients, as STRIVE director Steve Redfield warns, can also have drawbacks. "Some companies may try to take advantage of the program. They see it as a way to get cheap additional labor and are not interested in hiring our people permanently. However, when that happens we just do not send them anyone again, and we move on to someone else who looks like they really want to work with us."

Greater West Town Community Development Project / Industrial Council of Northwest Chicago Chicago, IL

The Industrial Council of Northwest Chicago (ICNC) works to preserve and expand the industrial base of Chicago's Near West and Near Northwest Sides, which include industrial corridors surrounded by lower-income, African-American and Latino neighborhoods. In 1988, ICNC entered into a partnership with the nearby Greater West Town Community Development Project (GWCDP), a community-based job training organization working with residents of the area.

Recognizing a shortage of skilled employees, ICNC hoped its partnership with GWCDP would provide local businesses with well trained workers and improve the relationship between neighborhood companies and residents. For its part, GWCDP hoped the partnership would help connect area residents with living-wage jobs. In its first eight years, the GWCDP and ICNC partnership has resulted in the placement of over 2,000 residents of the west and northwest sides of Chicago into local jobs.

GWCDP introduced its woodworkers training program in 1992. The program was designed and researched in conjunction with professional experts and local industry employers in response to a study that showed woodworking to be one of fasting growing industries in the local area. Since 1992, GWCDP has completed seven 15-week cycles of the program. Thus far, GWTP has placed over 150 program graduates in woodworking related jobs paying an average of $7.50/hr.

GWCDP introduced its shipping and receiving training program in 1995 following research pointing to a large local demand for shipping and receiving and transportation personnel. Though only one training cycle as of this report's publication, 85 percent of graduates have obtained jobs.

The success of the ICNC-GWCDP partnership can be attributed to their unique complementary relationship. ICNC, while focusing on business retention and expansion on the Near West Side, is now able to point to a source of well trained local workers as an incentive for area companies to remain in, expand in, or move to the area. GWCDP, while focusing on the needs of community residents, has succeeded in bridging the gap between area residents and jobs and strengthening the community's relationships with many local employers.

According to Ken Govas, executive director of ICNC, "One of the greatest things that this partnership has done is to change the perceptions that many employers had of area residents. Staying focused on the needs of employers and including employers in program design has created many opportunities for residents to prove that they are good workers."

Westside Industrial Retention and Expansion Network (WIRE-Net)
Hire Locally and DESTINY Programs
Cleveland, OH

In 1986, three CDCs serving three separate, lower-income neighborhoods on Cleveland's Westside founded the Westside Industrial Retention and Expansion Network or WIRE-Net. WIRE-Net was formed to encourage the growth and retention of industrial employers; to promote their involvement in local community efforts; and to increase public and private investments on the Westside. The organization helps local firms with identifying development sites, obtaining financing, marketing, and other services. Because companies leaving the Westside have pointed to a shortage of qualified workers as a major factor in their decision to relocate, WIRE-Net decided to invest much of its resources into mobilizing and developing the Westside labor force.

Through its Hire Locally program, WIRE-Net acts as a link between over 300 Westside companies and residents seeking employment. With connections to Westside neighborhood groups, churches, and other organizations, WIRE-Net maintains a large pool of residents seeking work. From this pool, it interviews potential job candidates and screens them based on the skills sought by employers. WIRE-Net clients also attend an Employability/Job Retention Skills Training Workshop in which they learn how best to market their skills to employers, how to adapt to new job environments, and how to handle potential on-the-job conflicts. In the first ten months of 1996, Hire Locally was able to place more than 200 Westside residents into full time jobs bringing the total to over 900 since 1989.

Hire Locally was developed out of WIRE-Net's close relationship with Westside employers. According to Clarence Brown, manager of employment programs, companies must see value in programs like Hire Locally. "Companies benefit from our program because we provide them with prescreened applicants who have the specific skills that they are looking for. Because we have been working closely with many employers, most trust that the people we send are qualified for the job."

To prepare the Westside's workforce of tomorrow, WIRE-Net has also developed a school-to-work program in partnership with nearby Max Hayes High School and more than 120 Westside companies called DESTINY (Developing Education Specifically Targeting Industry and Neighborhood Youth) Academy. Through DESTINY, tenth, eleventh and twelfth grade students at Max Hayes are encouraged to consider a career in manufacturing and are able to obtain part-time jobs with area manufacturers, tour manufacturing sites, and attending presentations given by local employers. Students also have the chance to participate in a job-shadowing program in which they closely observe people in their work environment in order to learn what different types of jobs are like. In addition, DESTINY students can receive career counseling from WIRE-Net staff and attend courses in career awareness, life skills, and job retention skills. After graduation, DESTINY graduates are assured full-time jobs with WIRE-Net area companies.

CCRP-Comprehensive Community Revitalization Program
New York, NY

The Comprehensive Community Revitalization Program (CCRP) is a demonstration project comprised of five CDCs each focusing on rebuilding a separate low-income South Bronx neighborhood. As part of its Self Sufficiency Initiative, a large scale program designed to combat poverty and joblessness in the South Bronx, CCRP has created a local employment service. It works with Bronx residents, employers, job trainers, and social service agencies to create job opportunities and to promote local hiring.

The CDCS have initiated a Job Resource Center in each of their five targeted South Bronx neighborhoods. Within these centers, trained employment counselors will assist those seeking work by conducting a week-long series of job readiness workshops in which job search, interview and resume writing, and job retention skills are taught. Counselors also help link clients to affordable child care providers, skill-specific job training programs, and adult education classes. At these centers, clients will also be able to obtain a computer- generated list of available jobs which best match their individual interests and skills, and have access to periodicals and assistance that enable them to conduct self-directed job searches.

To mobilize the resources and opportunities available in the five targeted neighborhoods, CCRP operates a Job Development Network. Under this network, a coordinator helps workers in each of the five Job Resource Centers form linkages with employers in their own service areas, specifically targeting small businesses and local service providers with whom the CDCs interact. The coordinator also serves as a link between Centers allowing them to take advantage of the employer contacts of other CDCs. Through Neighborhood Advisory Councils, collaborative made up of local business owners, bankers, and social service providers, each CDC is able to encourage employers to list job openings through the CCRP Network, to give local residents full consideration when hiring, and to let other area employers know about CCRP's job placement services.

CCRP's Job Development Network plans to work with the FEGS, a human service agency specializing in employment and training, to develop a customized, short-term training program designed to meet the specific needs of CCRP partner employers. In addition, each CDC is expected to focus its economic development efforts on a particular sector of the economy, specializing in a few specific industries (e.g., child care, banking, security guard companies) and to share newly created job opportunities with one another. This approach will help the CDCs to cover a wider range of industries and to prevent redundant efforts.

V. Conclusions and Implications for EZ and Other Policies

The residents of Chicago's EZ and of other low-income urban areas around the country face daunting obstacles in their struggle to attain and maintain employment, including employment in or near their neighborhoods. We have identified a number of barriers that exist between residents of the Chicago EZ and employers in general, and particularly, between EZ residents and local employers. Before outlining policy implications stemming from our findings, it is helpful to summarize conclusions of this report as follows:

1) ***In their search for work, residents of the Chicago EZ face many systemic barriers of inadequate skills and skill mismatches, racial discrimination, and a lack of access to social-employment networks. No one single, locally focused program – including the Empowerment Zone – will be able to remedy these large-scale problems by itself.*** Inequities in educational resources have left many inner-city residents without the credentials and skills necessary for today's lower-skill jobs. Only 56 percent of EZ residents over age 24 have high school diplomas or general equivalency degrees. This is occurring in an era when job requirements are accelerating. A substantial majority of new jobs not requiring college education require daily use of arithmetic, reading and writing.[28] Seventy percent of new, non-college, white-collar jobs involve daily computer tasks.

Discrimination in hiring and lack of access to networks have had a particularly strong impact on African-Americans. And social networks, which run along racial and ethnic lines, are key conduits of job information.

Labor-market-wide barriers exist between EZ residents and many firms, regardless of location. These systemic barriers become more immediately apparent when employers are located in EZ neighborhoods. One manifestation of these barriers are large racial differences between residents and those working in the EZ.

EZ policy will not be sufficient to address all of the employment barriers faced by EZ residents. Nonetheless, EZ policy can be a significant component of a larger strategy, involving a broader set of policy issues, to address the employment problems of EZ residents. Many of these policies will be addressed below.

2) ***The African-American EZ neighborhoods, primarily in the West and South Clusters, are confronted by much higher unemployment rates than residents of the Pilsen-Little Village Cluster, despite substantially lower levels of educational attainment among Pilsen-Little Village residents.*** Unemployment was 26 percent in the West Cluster and 30 percent in the South Cluster in 1990, but only 15 percent in Pilsen-Little Village. At the same time, 72 percent of Pilsen-Little Village residents over age 24 did not have a high school diploma or a general equivalency degree, while this rate was only 52 percent for the other two clusters. This inconsistency between unemployment and education levels parallels findings in other research on the greater problems of hiring discrimination and poor access to job networks among African-Americans.

3) ***Despite working more hours per week, employed residents of the Pilsen-Little Village Cluster earn substantially less than employed residents of the other two clusters.*** Earnings of Pilsen-Little Village workers averaged $13,820 in 1990, while residents of the West and South Clusters averaged $16,406 and $16,194, respectively. This is consistent with the educa-

[28] Harry Holzer, *What Employers Want: Job Prospects for Less-Educated Workers*. New York: Russell Sage Foundation, 1996.

tional and occupational differences between the clusters, and with the fact that the higher-paid clusters see more residents employed in public sector jobs, which are relatively well paid.

4) ***Residents of African-American EZ neighborhoods are relatively concentrated in public sector jobs, and in administrative support and low-wage service occupations.*** The public sector has been a critical source of employment for West and South Cluster residents -- and for African-Americans in general. African-Americans have also done better at larger companies versus smaller ones, in part due to affirmative action and diversity programs. Twenty-one percent of West Cluster residents and 24 percent of South Cluster residents work in public sector jobs, compared to 12 percent across the metro area and only 7 percent in Pilsen-Little-Village. Moreover, 21 percent of West Cluster residents and 24 percent of South Cluster residents work in the Chicago central business district, where larger employers are clustered, versus just 14 percent for Pilsen-Little Village.

   It is important to note that these occupational patterns are not static. South and West Cluster residents now tend to work in white-collar and service jobs, even though 15 to 20 years ago employed residents of these neighborhoods had worked in manufacturing at high rates.

5) ***Residents of the Pilsen-Little Village Cluster are relatively concentrated in private sector, manufacturing jobs and low-wage occupations.*** Forty percent of employed resident work in manufacturing, compared to 21 percent in the West Cluster and 13 percent in the South Cluster. (The metro rate is 19 percent.) Pilsen-Little Village residents are entrenched in networks that give them access to manufacturing employment, including jobs in the EZ. Only 9 percent of employed residents work in executive, professional and technical jobs, compared to 14 percent in the West Cluster and 18 percent in the South. (The metro rate is 32 percent.) The bulk (83 percent) of residents work in private sector jobs. Indeed, just as African-Americans may have poor access to job networks in manufacturing, Pilsen-Little Village residents may have poor access to networks in public- and nonprofit sector jobs.

   Two important factors explain some of the differences in the occupations and sectors of work between the Pilsen-Little Village residents and those of the other two clusters. First, a much higher percentage of the employed residents of Pilsen-Little Village are male (68 percent) than in the other two areas (49 percent). Gender strongly affects the types of jobs in which people work; many occupations are essentially segregated by gender. Men are much more likely to work in manufacturing jobs than in administrative support positions, for example. Second, the lower levels of formal education and frequent lack of facility with English leads Pilsen-Little Village residents to work more in blue-collar positions and less in clerical and white-collar jobs.

6) ***The types of jobs in the different Clusters differ significantly, with the West Cluster being the most industrial and most private sector, and the South being the least industrial and least private sector.*** Thirty-six percent of West Cluster jobs are in manufacturing (compared to 19 percent metro), while 25 percent of Pilsen-Little Village and only 19 percent of South Cluster jobs are in manufacturing. (Moreover, most of the South Cluster manufacturing jobs are concentrated in the Stockyards section of the Cluster.) Seventy-seven percent of West Cluster jobs are in the private sector, while only 60 percent of South Cluster jobs are in the private sector.

   While no direct data are available, it is likely that a substantially larger portion of the private sector jobs in the South Cluster -- especially those located east of the Dan Ryan expressway -- is based at black-owned firms than is the case in the West Cluster. A much larger portion of jobs in the West Cluster is in manufacturing, in which there are relatively few black-owned firms.

7) ***Local working varies substantially across the Chicago EZ; in general, it is highest in the Pilsen-Little Village cluster and lowest in the West Cluster.*** Sixteen percent of employed residents in the Pilsen Little-Village and South Clusters work in the EZ, but only 10 percent of West Cluster residents do. When looking at residents working within the same cluster and accounting for jobs in the clusters, Pilsen-Little Village is found to have a substantially higher level of local working than the South Cluster, which has a higher level than the West Cluster.

When examining local working at a smaller scale -- across "subclusters" -- differences can be seen even within clusters. The western parts of the West Cluster, which are predominantly African-American, have little local working. This corresponds to a mismatch between the occupations of residents and area jobs. At the same time, the predominantly African-American greater Grand Boulevard segment of the South Cluster has many more residents working in the same area and exhibits less mismatch between the occupations of residents and jobs.

8) ***In the absence of EZ programs, jobs in the EZ are held by EZ residents at quite low rates; overall, only 10 percent of EZ jobs are held by EZ residents.*** This is due to a variety of reasons, including the convoluted shape of the EZ. Nonetheless, job growth in the EZ will have much larger effects on residents if EZ programs are effective at encouraging firms to hire residents, especially unemployed residents, at higher rates. Moreover, unless firms employ EZ residents at substantially higher rates than 10 percent, the employment tax credit will have only a very small effect on a firm's total labor costs, making it relatively ineffective as a tool to encourage expansion or relocation of operations in the EZ.[29]

9) ***A variety of promising approaches in Chicago and other cities have been used to link residents of low-income neighborhoods to nearby jobs.*** These programs generally involve much more than simple wage subsidies or tax credits, and are focused on some of the barriers identified in this report, including skills, access to networks, and employment discrimination. They include first-source hiring programs, where firms who receive development assistance are required to consider local residents, school-to-work initiatives, and efforts involving local firms in the development of job training programs.

In Cleveland, for example, the Westside Industrial Retention Network, or WIRE-Net, has established a school-to-work initiative called DESTINY. DESTINY links local firms to a high school in the WIRE-Net area. Students are offered orientation and training in cooperation with local manufacturers and are offered jobs upon graduation from the program.

On Chicago's Near West Side and Near Northwest Side, the Greater West Town Community Development Project, a job training organization, has successfully partnered with the Industrial Council of Northwest Chicago (ICNC), a group of manufacturers in the area. This partnership involves companies from ICNC in the design and implementation of training programs for woodworkers and shipping and receiving personnel. By involving local employers in the program, Greater West Town assures a program that will meet their needs and, at the

[29] If the average EZ firm employs 10 percent EZ residents, then the 20 percent maximum employment tax credit would amount to a credit of less than 2 percent of its labor costs.

same time, is in a strong position to establish its reputation with the firms. Through developing strong relationships with employers, Greater West Town can work to change negative perceptions about the neighborhood labor force and, in doing so, combat less overt forms of discrimination as well as build skills in neighborhood residents.

Implications for Local EZ Planning, Federal EZ Policy, and Other Employment Policies

The analysis and conclusions above have implications for implementation of Empowerment Zones at the local level, for federal Empowerment Zone policy, and for a host of broader policy issues that bear heavily on the employment prospects of residents of the Chicago EZ and other low-income urban neighborhoods.

Recommendations for Local EZ Planning and Implementation:

I. More systematic local planning should be used in designating EZs.

The current EZ designation process, due in part to scarce information on jobs and workers, does not adequately consider the geography of employment patterns in low-income urban neighborhoods. Data such as those used in this report should be employed to design EZs that are shaped to encourage more local employment of low-income residents.

The low levels of commuting between the different EZ clusters, which are not adjacent to each other, suggest that a less disjointed EZ would offer many more local working and local hiring opportunities -- thus increasing the overall impact of EZ programs.

Given current EZ regulations (e.g., 20 square mile limit, EZ tax credits for EZ firms employing EZ residents) local planners should seek to center zones around targeted residential populations with the perimeter of the zone reaching out to pick up nearby job clusters. Of course, a circular EZ centered around a targeted neighborhood is just a model and will not be entirely appropriate. But EZ designs that are relatively compact and avoid long tentacles should be favored.

II. A sizable portion of EZ grant funds should be used for job linkage and training purposes, especially to connect residents to jobs at EZ firms.[30] Where possible, local firms should be involved in the design and implementation of programs.

EZ funds should support quality job-training initiatives, especially those having a track record in placing minority workers. Special attention should be given to efforts linking residents with nearby jobs in which they are, for no compelling reason, underrepresented, and especially where relatively good jobs are available. Industrial corridors, which contain large numbers of decent-paying jobs should be a principal focus of such attention.

Promising efforts will adopt best practices in key areas, including: 1) initiating cooperative relationships with local firms ("getting the foot in the door"); 2) working to change employer attitudes while recognizing the limits of affecting employer attitudes; and/or 3) collaborating across neighborhoods. While some strong examples are discussed in this report, more research needs to be done to identify strong models for linking residents with nearby jobs in low-income, and particularly African-American communities.

[30] Detailed lessons regarding design and implementation of local job-resident linkage programs are presented in the main body of the report.

III. *Labor-force-based* economic development should be a primary focus of any EZ strategy.[31]

In the short-term, job creation efforts should emphasize jobs that residents are already able to access. If residents tend to work in blue-collar jobs, then industrial development in the area is likely to bring major benefits to area residents. If not, the creation of other types of jobs, in which residents tend to work, should be the focus of the short-term strategy.

Before economic development efforts are pursued in sectors where residents have not been employed, job linkage and training programs should first be established to link residents and jobs. Then job creation in these sectors should be pursued as well.

IV. Empowerment Zone strategies should consider the social networks and social capital of EZ areas; where possible, networks that support job search and employability should be developed.

Social networks are a primary channel through which job search and employer recruitment occurs. Research shows that at least 35-40 percent of low-skill jobs are filled through informal methods, such as word-of-mouth. EZ funds should be used to encourage the use of social networks for sharing job information and leads among EZ residents. For example, Suburban Job-Link, a Chicago nonprofit that assists inner-city residents in finding and commuting to suburban jobs, is asking its clients to return information on job openings from suburban employers to grass-roots social organizations in their neighborhoods, such as churches and block clubs. The same sorts of networks can be used to identify and disseminate information on nearby jobs. Moreover, community-based school-to-work initiatives, child-care programs, and other efforts that build employment-related social capital should be supported.

Recommendations for Federal EZ Policy:

V. Employment and investment tax credits, alone, are likely to be insufficient for addressing the barriers to local employment faced by less-educated EZ residents; credits should complemented with other policies.

This report documents a number of potent barriers to the local employment of EZ residents, including skill mismatches, a lack of access to networks used by local firms, and hiring discrimination. The general evidence on tax credits and wage subsidies is mixed, suggesting that, *on their own*, such subsidies may only have a marginal effect on who gets hired, at least by themselves.

Credits and other wage subsidies must be complemented with job training and placement assistance to affect employment more substantially. Under current regulations, some job training expenditures can be subsidized by the employment tax credit. (This is especially relevant for workers earning less than $15,000 annually who will not attract the full $3,000 tax credit.) Some consideration should be given to increasing the limit of the tax credit for training purposes only. Thus, a firm employing an EZ resident making $17,000 annually, for example, might claim a $3,000 credit on wages, and an additional 20 percent credit on job training costs.

Currently, the EZ credit applies to existing hires as well as new hires. If the credit is intended to alter employer behavior, relatively larger credits should be given for *net new* employment of EZ residents. Thus, an EZ firm might receive a credit based on the net change in wages paid to EZ residents over the year. (Regulations would require some minimum employment period.)

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[31] For more on labor-force-based development, see D. Ranney and J. Bentancur, "Labor-Force-Based Development: A Community-Oriented Approach to Targeting Job Training and Industrial Development." *Economic Development Quarterly* 6: 286-296, 1992.

One final problem with the employment tax credit is that many small firms in the EZ may not have enough taxable income against which to apply the credit. If a firm reports a small amount of taxable income, the tax credits will not be valuable. Some have suggested that these credits be tradable via a secondary market, where credits earned by the smaller companies that cannot directly use them would be sold, thereby making the value of the credit available to more EZ firms hiring local residents.

VI. Federal EZ policy should provide for an *employment zone*, including and surrounding an EZ.

Given the limited numbers of jobs in EZ areas, and the multiple barriers between some of those jobs and EZ residents, current EZ policy may have limited success at getting residents hired at firms located directly in the EZ. A stronger approach, that recognizes the radial and larger-than-neighborhood nature of labor markets, would involve designating a residential EZ, characterized by relatively high unemployment and low-incomes, and a larger, surrounding *employment zone*, which would contain a larger number of jobs than the EZ. Employers located both in the EZ and in the employment zone would be eligible for employment tax credits and, perhaps, other EZ incentives. Moreover, the employment zone would recognize the benefits of business development that would spill over from the employment zone to the EZ.

The recently introduced Work Opportunity Tax Credit (WOTC), though covering welfare recipients generally, includes EZ residents ages 16-24 as eligible for a one-time credit of up to between $2,100-$3,000 at firms located *anywhere*. EZ firms can qualify for both the EZ credit and the WOTC credit, if the new hire meets both eligibility guidelines. The WOTC should prove to be a useful complement to the EZ credit, enlarging the number of possible jobs for which a credit is available. But the EZ credit can be substantially more valuable to a firm in that it continues past the first year. The creation of the employment zone would improve the utility and effectiveness of the EZ credit.

VII. Given the findings in this report and the shape of the Chicago EZ, the local employment threshold of 35 percent for the EZ *investment* incentives will be extremely difficult for firms to meet. Under current EZ configurations, this figure is probably not a reasonable threshold for most firms in EZs.

Only 10 percent of all Chicago EZ jobs are held by EZ residents. For the private sector firms that account for 70 percent of all EZ jobs, this ratio is probably even lower. If the purpose of the local employment threshold is to encourage and support firms that hire locally, then realistic goals should be set. The shape and nature of the Chicago EZ make it extremely unlikely that 35 percent of an EZ firm's workers live in the EZ. This is especially true for firms located near the outside edges of the EZ (e.g., in north Austin or in Woodlawn) and for firms that offer better quality jobs, and so draw job applicants from a larger radius.

Realistically, a minimum threshold for incentives might be set at some reasonable multiple of the zone average for local employment. For example, a minimum threshold of 15 percent might be appropriate to trigger the investment credit if the average local employment rate is 10 percent, as in the case of the Chicago EZ. A better approach would be to base eligibility for investment incentives on the percentage of a firm's workforce that live not only in the EZ but also in a surrounding area like the *employment zone* described in recommendation V. If such an approach is used, a higher local employment threshold, such as 35 percent, may be realistic.

Incentives could also be tiered as firms employ higher levels of EZ residents. Investment incentives might be structured to fluctuate from year to year as firms employ more or fewer EZ residents, as the employment tax credit does.

Implications and Recommendations for Other Employment and Economic Development Policies:

> **VIII. Welfare reform – as currently constructed – promises to have a major, negative impact on the employment and earnings prospects of EZ residents, including those already employed and in the labor force.**

Fifty percent of EZ residents over age 15 are not in the labor force, compared to just 32 percent for the metropolitan area. This figure is 58 percent in the South Cluster. Many of these residents will be pushed into the labor force by recent federal welfare reforms and will seek work in low-skill occupations.

It appears likely that many welfare recipients will have difficulty finding work. Local job shortages in areas like the South Cluster are likely to become much worse. Competition for low-skill jobs will increase, exerting downward pressure on the wages of those who had already been in the labor force. This is especially problematic in areas like the South Cluster where a large percentage of residents do not own cars and are more susceptible to local job shortages.

The massive increase in the demand for low-skill jobs that will result from welfare reform may overwhelm EZ and similar policies. Even with access to wage subsidies like the new Work Opportunity Tax Credit, many private-sector firms will not consider hiring those with little work experience. Beyond skills, welfare recipients face discrimination, a lack of networks, poor transportation access to job-rich areas and other barriers to work. Due to such daunting problems, several labor market analysts have called for a federal public works employment program.[32]

[32] Recommendations of this type have been made recently by William Julius Wilson in *When Work Disappears*, New York: Knopf, 1996, and by Harry Holzer in *What Employers Want*, 1996.

Many have also called for the expansion of the Earned Income Tax Credit, an increase in support for childcare, and a healthcare program for lower-income workers.

> **IX. Effective job training and placement programs, as well as basic education, need more support from local, state and federal government.**

Overall, the continuing problems of inner-city schools and inadequate funding of job training programs for low-skill workers are devastating to the employment prospects of EZ residents. For Pilsen-Little Village residents, training may be more important for improving their *earnings* than for reducing their unemployment rates. For residents of the West and South Cluster, placement and brokering assistance, as well as training, are critical to improving the prospects of *getting* a job.

The reorganization of job training systems and the implementation of one-stop career centers must recognize the value of existing relationships that community-based job training organizations have established with local firms. At the same time, job training and placement efforts should incorporate what is known about best practice in the field. In particular, strong involvement by local employers in the design and implementation of programs is key. Moreover, some sort of local employer certification of training programs would provide employers with accurate information about program quality.

> **X. Aggressive enforcement of anti-discrimination law is critical to the employment prospects of EZ residents in jobs across the metro area.**

Discrimination in hiring is a major barrier to employment of EZ residents, particularly for African-American residents. While discrimination occurs among inner-city employers, significant evidence from other research suggests that the problem is even worse among suburban employers. Moreover, small firms, which constitute a larger base of jobs than in earlier decades, are more prone to discriminate.

Despite the data on hiring discrimination, relatively little of the Equal Employment Opportunity Commission's (EEOC) activity has concerned hiring, amounting to less than 7 percent of charges filed in 1988.[33] During the 1980s, the enforcement activities of the EEOC suffered due to inadequate resources and leadership that was ambivalent about the agency's mission. Between fiscal year 1982 and fiscal year 1992, the agency's backlog of cases increased by almost 60 percent, from 33,417 to 52,856.

Discrimination in hiring cannot be enforced merely by responding to complaints of job applicants. EEOC reports on employment patterns must be examined proactively by the agency itself and other relevant agencies. Aggressive enforcement of antidiscrimination laws has had a major impact in the fair housing and fair lending arenas in recent years. It is important to learn from these policy areas and apply some of these lessons to fair employment policy.

XI. Public sector employment is crucial to the employment of EZ residents; government privatization must be monitored for its impact on less-educated minority workers.

Residents of the West and South Clusters are disproportionately employed in public sector jobs. South Cluster residents are employed in government jobs at twice the rate of workers across metropolitan Chicago (24 percent versus 12 percent). To the extent that private firms do not employ residents from these neighborhoods at the same rate, the privatization of public sector jobs could hurt the employment prospects of EZ communities. Privatization can also have damaging effects on the wage levels of less-educated workers. Firms contracting with the City should be closely monitored for minority employment practices, and for employment of residents of inner-city neighborhoods, where appropriate..

XII. Minority business development and affirmative action policies should be maintained, and stepped up, to improve the employment prospects of EZ residents.

Minority-owned businesses employ minority workers at higher rates than white-owned firms. This is especially true for black-owned companies. While there are no specific figures available on the level of employment of EZ residents by minority-owned businesses, the potential for the employment of residents by such firms is significant. From 1987 to 1992, the number of black-owned firms in Illinois increased by 50 percent, according to the 1992 Economic Census. While black-owned firms represent a small portion of all jobs, their share of employment is substantially larger among African-American workers. Thus, those interested in the prospects of African-American and minority workers should include minority business development as a key strategy.

Supporting Empowerment Zones while at the same time weakening minority business development programs is inconsistent federal policy. Each set of programs will work better in the presence of the other. Both place- and race-based policies should be used simultaneously, as part of a mixed strategy to improving the employment prospects of inner-city residents. Minority business development and community economic development constituencies need to join together to support strong policy action in both arenas.

Larger employers have been shown to employ African-Americans at higher rates than smaller firms. This is due, in large part, to the affirmative action hiring programs many large firms have adopted. Government and corporate support for affirmative action is crucial to the employment prospects of EZ residents.

[33] M. Bendick, Jr., C. W. Jackson, and V.A. Reinoso: "Measuring Employment Discrimination Through Controlled Experiments." *The Review of Black Political Economy* 23: 35-48, 1994.

Appendix I

Table A-1
Comparison of Actual West Cluster to Approximated West Cluster Using Quartersections*

	Actual West Cluster (census tracts)	Approximated West Cluster (quartersections)	Percent Over / Under (-)
Population	58,334	71,193	22%
Mean Household Income	20,259	21,674	7%
Unemployment Rate**	26%	26%	0%
Not In Labor Force Rate**	47%	47%	0%
Percent African-American	88%	90%	3%
Percent Latino	8%	6%	-23%

Table A-2
Comparison of Actual Pilsen-Little Village Cluster to Approximated Pilsen-Little Village Cluster Using Quartersections*

	Actual Pilsen-Little Village Cluster (census tracts)	Approx. Pilsen-Little Village Cluster (quartersections)	Percent Over / Under(-)
Population	44,465	49,938	12%
Mean Household Income	20,968	21,674	3%
Unemployment Rate**	15%	15%	-1%
Not In Labor Force Rate**	36%	36%	0%
Percent African-American	8%	9%	12%
Percent Latino	86%	84%	-1%

Table A-3
Comparison of Actual South Cluster to Approximated South Cluster Using Quartersections*

	Actual South Cluster (census tracts)	Approximated South Cluster (quartersections)	Percent Over / Under (-)
Population	97,133	104,972	8%
Mean Household Income	14,253	14,545	2%
Unemployment Rate**	31%	30%	-3%
Not In Labor Force Rate**	58%	57%	-1%
Percent African-American	91%	90%	-1%
Percent Latino	5%	6%	26%

* All data from 1990 Census: STF3A; CTPP Urban Element
** For persons 16 years old or older

Woodstock Institute

Woodstock Institute a Chicago nonprofit incorporated in 1973, works locally and nationally to promote community reinvestment and economic development in lower-income and minority communities. It works with community organizations, financial institutions, foundations, government agencies, and others to promote its goals.

The Institute engages in applied research, policy analysis, technical assistance, public education, and program design and evaluation. Its areas of expertise include: CRA and Fair Lending policies, financial and insurance services, small business lending, community development financial institutions, and economic development strategies including local employment programs.