

CENTER ON URBAN & METROPOLITAN POLICY

Meeting the Demand: Hiring Patterns of Welfare Recipients in Four Metropolitan Areas

Harry J. Holzer, Georgetown University and The Urban Institute, and Michael A. Stoll, School of Public Policy and Social Research, University of California, Los Angeles¹

"...a spatial

mismatch may

indeed exist

between

welfare recipi-

ents and the

firms seeking

to employ

them...."

FINDINGS

A recent survey on the locations of low-skill jobs and low-income persons, and the hiring patterns of welfare recipients, in four large metropolitan areas found that:

- Welfare recipients are often located far from new low-skill job opportunities. A majority of recently filled jobs for less-skilled workers are located in the suburbs of the metropolitan areas studied, while most low-income persons reside in the central cities.
- Suburban employers are more willing than central city employers to hire welfare recipients. Similarly, employer demand for welfare recipients is greater among employers farther away from public transit or poor populations than among those nearby.
- However, employers in the central city and near public transit fill higher proportions of their low-skill jobs with welfare recipients. Actual hiring of welfare recipients is over 50 percent higher in jobs in the central cities than the suburbs, and similarly higher among employers within a quarter mile of public transit than among those farther away.
- Black welfare recipients are less likely to be employed in the suburbs than white recipients.
 Black welfare recipients are about 50 percent more likely to fill jobs in the central city than in the suburbs. White welfare recipients, in contrast, are nearly twice as likely to fill jobs in the suburbs than in the central city.

I. Introduction

ur national experiment with welfare reform has generated some surprising results thus far. On the one hand, the welfare rolls have declined dramatically, and employment among both current and former recipients has increased substantially. Still, at any

moment, roughly 40 percent of those who have left the rolls are not working. Declines have also been geographically uneven: welfare rolls have dropped much faster in some states than others, and suburban areas have generally experienced faster caseload declines than central cities and urban counties.²





Many factors no doubt influence the ability of welfare recipients to find and retain jobs in any local area: the strength of the economy at the national and local level; the education levels, work experience and demographics of the local welfare population; and local welfare-to-work policies and how well they are administered.

In addition to these factors, the spatial characteristics of a metropolitan area are likely to influence welfare recipients' employment outcomes. In any given area, welfare recipients and other low-income populations will be more or less concentrated in poor inner-city neighborhoods. Their ability to access low-skill jobs will depend on the location of those jobs, as well as the extent of private car ownership and the availability of local public transit in these areas. State and local policies might also vary in their effectiveness in helping welfare recipients to overcome any spatial barriers to the low-skill jobs that do exist in the metro area.

The notion that the relative locations of people and jobs in a labor market might disadvantage lowincome and especially minority workers as they seek jobs is known as the "spatial mismatch hypothesis," and has been debated for over three decades. The hypothesis is based on the fact that minorities, especially the poor among them, continue to live in segregated inner-city neighborhoods while jobs have been fleeing these neighborhoods and relocating to outlying suburban areas for decades. The latter areas are generally not easily accessible by public transit, and inner-city residents are also not wellinformed about jobs located there. Furthermore, most reviews of the evidence on lower employment rates among young blacks suggest that spatial factors do affect employment, though many other factors matter as well. But there has been little useful. evidence on the extent to which "spatial mismatch" applies to welfare

recipients and affects their success in the labor market.3

Below we consider data on where welfare recipients live and where lowskill jobs are located in four large metropolitan areas: Chicago, Cleveland, Milwaukee and Los Angeles. Unlike most earlier studies, these data indicate where job openings for welfare recipients exist, where recipients are actually employed, and where firms willing to employ welfare recipients are located within metropolitan areas. Our analysis of these data provide new evidence that a spatial mismatch may indeed exist between welfare recipients and the firms seeking to employ them, and that this mismatch may be more significant for some racial/ethnic groups than others. We conclude by reviewing what policies might be used to address the spatial "gaps" that we uncover in the employment of welfare recipients.

II. Methodology

ur data are drawn from two primary sources: the 1990 Census and a new survey of employers. In order to assess the proximity of employers to welfare recipients, we use data on the location of poor female-headed households from the 1990 Census.4 We select poor female-headed households to proxy current and potential welfare recipients since there is significant overlap between these groups.

The data on employers and jobs are drawn from a survey administered over the phone to roughly 750 employers in the Chicago, Cleveland, Los Angeles and Milwaukee metropolitan areas in the fall, winter and spring months of 1998–99.5 The sample of employers, drawn from local phone directories, was fully random except for the fact that large employers were oversampled to reflect the greater concentration of workers in larger establishments. Both private-sector and public-sector employers are included.

The survey collected data from employers separately on all jobs, and jobs that require the least education and skills.6 Surveyed employers were asked about the noncollege jobs that they filled most recently, any jobs that might have been filled recently by welfare recipients, and whether or not they would be interested in filling jobs with welfare recipients currently or in the near future. These recently filled or currently available jobs, rather than the overall stock of existing jobs, are the basis for the analysis that we present below. The exact locations of the workplaces in which these jobs are located were also noted, as well as their distance from local public transit stops and from downtown public transit centers.

We first compare where poor female-headed households live to where low-skill job openings are, using pooled data from all four metropolitan areas, and using maps to assess their spatial distributions in each market. We then examine, across all four metropolitan areas and for each of the areas individually, the relationship between employer demand for welfare recipients and:

- Employer location within the metro area—whether the firm is located in the central city or a suburb;
- Employer proximity to public transit—whether the firm is within a quarter-mile of a public transit stop and a 30-minute ride from downtown; and
- Employer proximity to the households likeliest to receive public assistance—whether the firm's distance from the average poor female-headed household is less than the sample mean of 16.8 miles.7

We characterize employer demand for welfare recipients using two measures from our survey: one on "prospective hiring" and one on "actual hiring." "Prospective hiring" is defined as the percentage of *all* of their jobs (both filled and vacant) that employers would consider filling currently with welfare recipients. In contrast, "actual hiring" represents the percentage of all jobs that have been



filled by recipients recently, defined here as the past 1–2 years.

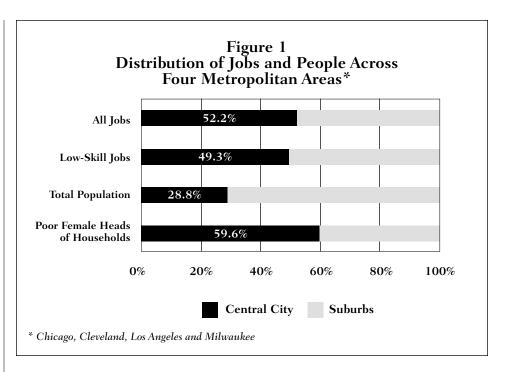
Each of these measures has its strengths and weaknesses. The former is quite subjective, and may not reflect actual behavior. In contrast, the latter measure reflects actual behavior, but it depends on the availability of applicants who are welfare recipients (on the "supply" side of the labor market) as well as employer willingness to hire them. Therefore, "prospective hiring" represents a cleaner measure of employer preference (or "demand") for welfare recipients, while "actual hiring" reflects the extent to which these preferences can be matched to welfare recipients who are workers.

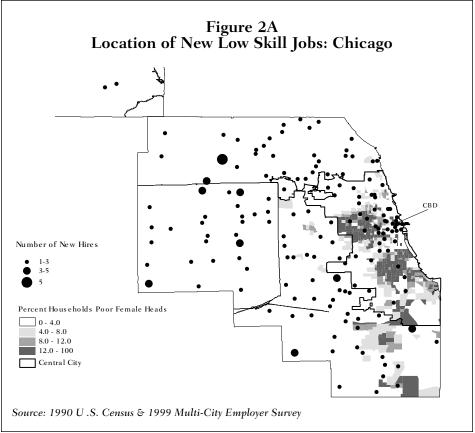
Finally, we use data from the employer survey on the race/ethnicity of the last welfare recipient that the firm hired to determine whether the employment of different populations may be affected differently by the location of potential employers.

III. Findings

A. Welfare recipients are often located far from new low-skill job opportunities.

Survey results from across all four metropolitan areas indicate that many welfare recipients may be far removed from job opportunities. Figure 1 indicates that a small majority (52 percent) of all newlyfilled jobs are found in the central cities of these metro areas, while most people (71 percent) live in the suburbs. Overall commuting thus continues to follow the traditional pattern of suburban residents travelling to central-city jobs. The relevant portion of the labor market for welfare recipients, however, looks quite different. Figure 1 shows that low-skill jobs are a bit more likely than others to be found in the suburbs, while nearly three-fifths of low-income female households are located in central cities. These data therefore suggest that there are geographic imbalances between where welfare









recipients live and where most jobs for them can be found in metropolitan areas.

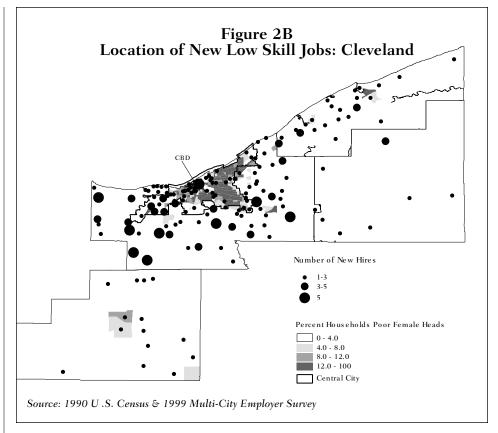
Maps for each metro area highlight this locational imbalance between lowskill jobs and poor female-headed households. Figures 2a through 2d show these patterns for each metro area and confirm that recently filled low-skill jobs are more abundant in the suburbs, areas generally farther from poor female-headed households. The distance between low-skill jobs and poor female-headed households seems greatest in LA and Chicago, at least partly because of the much greater size of these metro areas. Moreover, for each metro area, few low-skill jobs are located in the central city neighborhoods where the concentration of poor female-headed households is greatest.

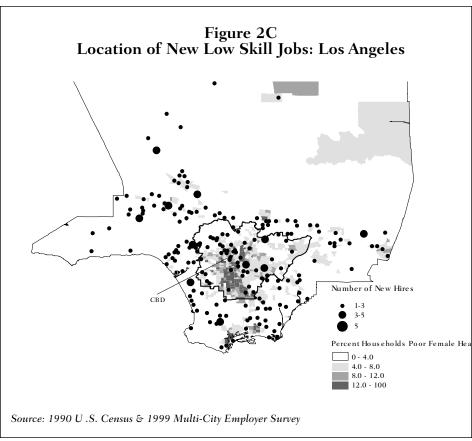
B. Suburban employers are more willing than central city employers to hire welfare recipients.

An imbalance between the location of low-income females and many of the jobs which they might obtain doesn't necessarily imply a policy problem, if individuals are easily able to overcome these geographic patterns through transportation and knowledge of the local labor market. But where transportation is costly (in time as well as money) and information imperfect, the relative locations of jobs and people will have considerable effects on employment outcomes.

We explore these effects in Figures 3 and 4, which display data for all metropolitan areas combined, as well as in Table 1, which displays data for each metro area separately. We examine employers' prospective hiring preferences and their actual hiring of welfare recipients, based on where employers are located with respect to these workers. Our analysis focuses on differences in the same measure of demand for welfare recipients—either actual hiring or prospective hiring—for employers in different locations.8

The first finding that clearly

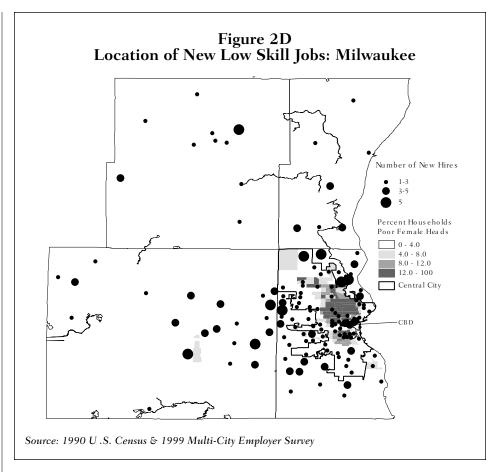






emerges from Figure 3 and Table 1 is that employers in the suburbs are more interested in hiring welfare recipients than employers in the central cities. Figure 3 indicates that across all four metro areas, employers in the suburbs would consider hiring welfare recipients for 2 percent of job openings, while employers in the central city would consider hiring recipients for only about 1.4 percent of openings. Table 1 shows that this higher demand for recipients in the suburbs holds across all four metro areas, and that prospective hiring in the Chicago and Los Angeles suburbs is double that in their central cities. Likewise, employers located farther away from public transit or from female-headed households are more likely to want to hire welfare recipients than those located closer to transit and female-headed households. These findings are consistent with the somewhat higher job vacancy rates in the dispersed suburbs of these metropolitan areas, compared to their central cities.

While the percentages of jobs available to welfare recipients might initially seem small, the data in Figure 3 and Table 1 actually indicate considerable demand for welfare recipients, relative to the numbers of them who are entering the labor force. For instance, the total number of recipients who have entered the workforce in the past few years is probably 2–3 million, or roughly 1-2 percent of the overall labor force. Thus, the willingness of employers in the central cities to fill 1.4 percent of their current jobs with welfare recipients, and employers in the suburbs to fill 2 percent of current jobs with recipients, indicates substantial demand for these workers. This demand is also evident in jobs that these employers have already filled with recipients—about 3 percent and 2 percent of jobs respectively in the cities and suburbs.9 These findings are consistent with the very tight labor markets in the U.S. over the past several years.



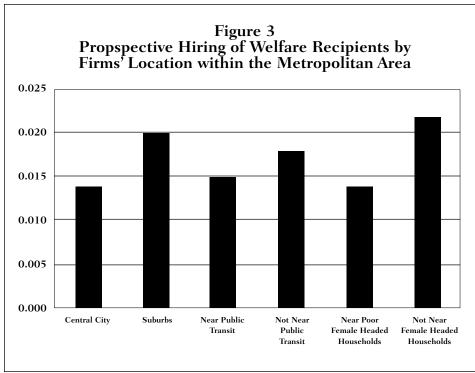






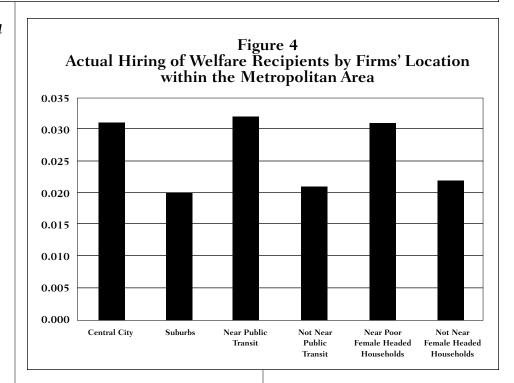
Table 1 Prospective and Actual Hiring of Welfare Recipients by Firms' Location Within Metropolitan Areas: By Metro Area

	Central City	Suburbs	Near Public Transit	Not Near Public Transit	Near Poor Female Headed Households	Not Near Poor Female Headed Households
CHICAGO						
Prospective Hiring	.011	.022	.011	.022	.009	.030
Actual Hiring	.023	.016	.015	.021	.026	.018
CLEVELAND						
Prospective Hiring	.019	.023	.022	.019	.019	.023
Actual Hiring	.039	.040	.043	.035	.039	.038
LOS ANGELES						
Prospective Hiring	.008	.016	.010	.015	.008	.016
Actual Hiring	.015	.015	.015	.015	.016	.010
MILWAUKEE						
Prospective Hiring	.014	.021	.018	.016	.014	.026
Actual Hiring	.035	.022	.047	.016	.038	.026

Notes: Prospective hiring refers to jobs that employers would consider filling currently with recipients. Actual hiring refers to jobs filled by recipients in the past year. In all tables, "Near Public Transit" refers to employers located within a quarter mile of a transit stop and a 30-minute ride from downtown; "Near Poor Female Headed Households" refers to employers whose average distance from poor female headed households is below the mean of the entire sample (16.8 miles).

C. However, employers in the central city and near public transit fill higher proportions of their low-skill jobs with welfare recipients.

The second finding to emerge from our analysis of employer demand is that actual hiring of welfare recipients is higher among employers in the central cities, and among employers closer to public transit stops and where poor female-headed households live. Indeed, data in Figure 4 from across all four metro areas show that the rate at which welfare recipients are hired is roughly 50 percent higher in jobs in the cities than in the suburbs, and similarly higher at establishments nearer to transit than at those farther away. The evidence thus indicates that welfare recipients are less likely to obtain employment at firms that are less accessible to them. As a consequence, the less accessible employers—those located in the suburbs, farther from public transit and farther from poor female-headed households—may be more likely than



other employers to have "unmet demand" for recipients, as revealed in their higher prospective hiring figures. Interestingly, Table 1 indicates that the actual hiring of welfare recipients has been greater in Cleveland and Milwaukee than in LA or Chicago. This is consistent with the greater





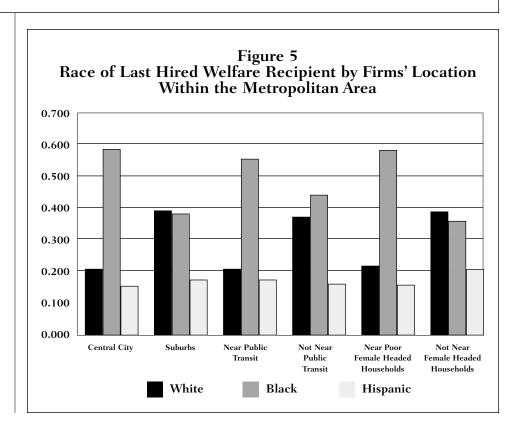
Table 2
Race of Last Hired Welfare Recipient by Firms' Location within Metropolitan Areas:
By Metro Area

	- , - ·						
	Central City	Suburbs	Near Public Transit	Not Near Public Transit	Near Poor Female Headed Households	Not Near Pool Female Headed Households	
CHICAGO							
Race of Last Hired	Welfare Recipient:						
White	.130	.290	.125	.299	.116	.342	
Black	.685	.565	.643	.597	.674	.463	
Hispanic	.130	.116	.161	.089	.163	.17	
CLEVELAND							
Race of Last Hired	Welfare Recipient:						
White	.301	.850	.319	.548	.323	.630	
Black	.575	.125	.594	.345	.594	.227	
Hispanic	.080	.025	.029	.095	.052	.114	
LOS ANGELES							
Race of Last Hired	Welfare Recipient:						
White	.082	.242	.118	.265	.103	.20	
Black	.388	.334	.409	.338	.401	.359	
Hispanic	.469	.347	.408	.368	.487	.338	
MILWAUKEE							
Race of Last Hired	Welfare Recipient:						
White	.209	.450	.255	.333	.207	.600	
Black	.635	.383	.596	.494	.612	.300	
Hispanic	.096	.083	.085	.099	.124	.050	

dispersal of low-skill jobs relative to low-income residents in the latter areas, as shown in Figures 2a through 2d. However, these hiring differences might also reflect other factors, such as higher vacancy rates or more aggressive welfare-to-work policies in the Cleveland and Milwaukee metropolitan areas compared to LA and Chicago. ¹⁰

D. Black welfare recipients are less likely to be employed in the suburbs than white recipients.

Examining further the actual hiring patterns of welfare recipients, we find that access to low-skill job openings may differ by race. Figure 5 and Table 2 indicate that black recipients are much more likely to be employed by central-city employers than suburban employers, while the opposite is true of white recipients. For instance, nearly 60 percent of recipients hired





in the central city are black, while less than 40 percent hired in the suburbs are black. Conversely, only about 20 percent of recipients hired in the central cities or near public transit stops are white, while almost 40 percent of those hired in the suburbs or farther away from transit are white. The data also show that differences in the hiring of black welfare recipients by employer location are much larger than for Latino recipients, consistent with the greater residential segregation that the former group experiences.11 Interestingly, the differences in the hiring of black recipients by employer location are greatest in Cleveland and Milwaukee, perhaps indicating the relatively greater availability of lowskill jobs in those central cities.

IV. Why Spatial Factors Matter

f course, it is possible that the differences in location between welfare recipients and available jobs affect only where welfare recipients are employed, not whether they are. In other words, it makes sense for welfare recipients to obtain those jobs that are most easily accessible to them, and perhaps there are enough jobs located in the central city to enable all of those who need jobs to find them.

But a variety of other data shed doubt on this possibility. For one thing, black welfare recipients remain less likely to find employment, relative to their representation in the welfare population, than white recipients.12 Spatial factors may not be the only source of this differential, or even the primary one, but they may well contribute to it. Furthermore, a number of other studies have indicated that access to a car and shorter

distances to local jobs do, in fact, contribute to lower unemployment rates among some welfare recipients than others.13 The effect of spatial factors on the employment difficulties of welfare recipients may be more severe in some metropolitan areas (such as Chicago and Los Angeles) than in others (i.e., Milwaukee and Cleveland), but in no region can the effect be dismissed entirely.

Also, the availability of jobs in the central city, as well as those located further away, appears closely tied to the strength of the economy. As the rate of growth of the economy slows, many jobs that are currently vacant will likely disappear, implying a dramatic reduction in the number of new jobs available to welfare recipients who are seeking work during that time.14 In that case, an inability to access many suburban jobs will have more significant consequences for welfare recipients than it does in an environment of tight labor markets and great job availability in all locations.

Finally, the relative locations of jobs and people in metropolitan areas may affect not only the ability of welfare recipients to obtain jobs, but also their ability to keep those jobs. Other data in our employer survey indicate that worker absenteeism is a large contributor to turnover problems; and difficulties with transportation, in turn, are a major source of absenteeism problems. To the extent that access can be improved and transportation problems reduced, employment rates, job retention and wage growth might improve among current and former welfare recipients.

V. Conclusions

hat do our results imply for policy? At a minimum, local welfareto-work agencies and their state/federal funders should consider how they might make a greater range of jobs in the metropolitan area accessible to inner-city welfare recipients. To the extent that some federal programs already aim to do so (such as HUD's "Jobs Plus" or "Bridges to Work" programs), these might be expanded or improved upon.15 Local welfare-to-work contractors might also make a broader range of efforts to assist in job search and placements with suburban employers, as well as transportation to these jobs. In fact, some well-known local models (such as "Suburban Job-Link" in Chicago) are available for replication elsewhere. Efforts to increase automobile ownership among low-income workers might be considered as well.16 Policies to make more low-skill jobs spatially accessible to welfare recipients should be developed as soon as possible, as the need for recipients to access those jobs will grow greater during any impending economic downturn.

Alternatively, local areas might consider greater efforts to provide welfare recipients with affordable housing that is nearer to where the jobs exist. Indeed, the Gautreaux program in Chicago and the "Movingto-Opportunity" program have already indicated at least some potential for "residential mobility" as part of a welfare-to-work strategy. As inner-city public housing projects across the nation are eliminated, an opportunity exists for helping their residents relocate to neighborhoods in closer



proximity to jobs. In order to be successful, however, such an effort will likely require not only Section 8-type housing vouchers, but also perhaps job search and transportation assistance.¹⁷

Finally, the effects of policies to generate greater employment opportunities in low-income neighborhoods might be considered as well. The "Enterprise Zones" implemented by many states during the 1980's, as well as the federal "Empowerment Zones" and "Enterprise Communities" of the 1990's, provide tax breaks and subsidies for employers who create jobs in low-income areas. The recently enacted "New Markets" initiative will provide new tax incentives for business investment in low-income and highpoverty city neighborhoods. Of course, major questions have been raised about whether these policies create local jobs in a cost-effective manner, particularly when measured per job that actually went to the local poor populations.18 The kinds of local development assistance and targeted services that might best be provided to poor neighborhoods in urban areas therefore remains a subject of considerable controversy at this time. Further research may shed additional light on the relative merits of job creation and job mobility strategies and their effectiveness in helping welfare recipients move into the labor force.

Endnotes

- 1 Harry J. Holzer is a Professor of Public Policy at Georgetown University and Visiting Scholar at The Urban Institute. Michael A. Stoll is an Assistant Professor at the School of Public Policy and Social Research, University of California at Los Angeles. The authors thank Bruce Katz and Alan Berube of Brookings for their comments on an earlier draft, and Julian Ware for providing geographic information systems assistance.
- See, for instance, Katherine Allen and Maria Kirby, "Unfinished Business: Why Cities Matter to Welfare Reform," Center on Urban and Metropolitan Policy, The Brookings Institution, Washington D.C., July 2000; also Gregory Acs and Pamela Loprest, "Initial Synthesis Report of the Findings from ASPE's Leavers' Grants," The Urban Institute, Washington D.C., 2001.
- 3 For a general review of the empirical literature on "spatial mismatch" and its potential relevance to the employment of welfare recipients see Keith R. Ihlanfeldt and David Sjoquist, "The Spatial Mismatch Hypothesis: A Review of Recent Studies and their Implications for Welfare Reform." Housing Policy Debate, Vol. 9, No. 4, 1998.
- 4 The microdata from the 2000 Census of Population were not yet available when we wrote this paper. But it is very unlikely that the basic geographic profile of where low-income people live in these metro areas would be substantially different than it was in 1990.
- 5 The survey is described in greater detail in Harry J. Holzer and Michael A. Stoll, Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace. Public Policy Institute of California, San Francisco, 2001.
- 6 Low-skill jobs are defined as noncollege jobs that also require no high school diploma, no previous experience or training, and no reading/writing or arithmetic on a daily basis.

- 7 These distances are calculated as a weighted average of the distance from an employer's census tract to all other census tracts in the metropolitan area, weighted by the percent of all poor female-headed households located in each of these other tracts.
- 8 Actual hiring measures demand for recipients in the last 1-2 years, while prospective hiring measures demand currently and in the coming year. Thus, they are not directly comparable.
- 9 The data cited in the text were used to generate the maps in Figure 2. The percentages of jobs actually filled with recipients include all hired in the past year, rather than those who currently work there. To calculate the latter, these figures would have to be adjusted for turnover, or reduced by about a fourth.
- 10 These issues are discussed more fully in Holzer and Stoll, *op. cit*.
- 1 The lower employment of black welfare recipients in the suburbs could also be related to greater discrimination there, perhaps related to the smaller average establishment size and greater presence of white customers there. See Harry J. Holzer and Jess Reaser, "Black Applicants, Black Employees, and Urban Labor Market Policy," <u>Journal of Urban Economics</u>, Vol. 46, No. 4, 2000.
- See, for instance, Holzer and Stoll, op. cit. Data from our employer survey indicate that the overall percentage of hired recipients who are black is lower than the percentage of poor female heads of household who are black. Also see Sandra Danziger et. al., "Barriers to the Employment of Welfare Recipients," in R.Cherry and W. Rodgers eds. Prosperity for All? The Economic Boom and African Americans. Russell Sage Foundation, New York, 2000. While welfare caseload declines among whites and blacks in recent years are not dramatically different (see Allen and Kirby, op. cit.), employment rates among those who are still or were formerly on the rolls do appear to differ by race.



- See Scott Allard and Sheldon Danziger, "Proximity and Opportunity: How Race and Residence Affect Welfare Recipients," University of Michigan, 2000; and Evelyn Blumenberg and Paul Ong, "Accessibility and Welfare Usage Rates: Evidence from Los Angeles." Journal of Policy Analysis and Management, Vol. 17, No. 4, 1998.
- Elsewhere, we calculate that over twothirds of all current job vacancies will disappear in a severe recession, and somewhat fewer in a milder recession (Harry J. Holzer and Michael A. Stoll, "Employer Demand for Welfare Recipients by Race," Discussion Paper, Institute for Research on Poverty, University of Wisconsin, 2000). New job availability for welfare recipients would decline by a relatively comparable amount. However, the extent to which currently employed welfare recipients will be laid off during a recession is harder to gauge.
- Evaluations of both of these programs are currently underway. More information on each is available from HUD's website, www.hud.gov.
- For evidence that lower automobile ownership among minorities contributes to their lower employment rates see Steven Raphael and Michael A. Stoll, "Can Boosting Minority Car Ownership Rates Narrow Inter-Racial Employment Gaps?" forthcoming in Brookings-Wharton Papers on Urban Affairs, Vol. 2, 2001. For a discussion of some practical and potentially cost-effective ways to boost auto ownership among the working poor see Center on Budget and Policy Priorities, "Windows of Opportunity: Strategies to Support Families Receiving Welfare and Other Low-Income Families in the Next Stage of Welfare Reform," January 2000.

- See, for instance, James Rosenbaum and Stefanie DeLuca, "Is Housing Mobility the Key to Welfare Reform," Center on Urban and Metropolitan Policy, The Brookings Institution, Washington D.C., 2000; or Greg J. Duncan and Jens Ludwig, "Can Housing Vouchers Help Poor Children?" Children's Roundtable, The Brookings Institution, 2000. HUD's "Welfare-to-Work Voucher Program" also provides recipients with housing vouchers as well as employment and related services.
- See, for instance, Leslie A. Papke, "What Do We Know About Enterprise Zones?" Working Paper, National Bureau of Economic Research, Cambridge MA,

Acknowledgements

The Brookings Institution Center on Urban and Metropolitan Policy would like to thank the Annie E. Casey Foundation, the Charles Stewart Mott Foundation and the Joyce Foundation for their generous support of the Center's research and policy work on the place-based nature of welfare reform and its implications for America's cities and low-income neighborhoods.

For More Information:

Harry J. Holzer Visiting Scholar The Urban Institute (202) 261-5513 hholzer@ui.urban.org

Michael A. Stoll **Assistant Professor** Department of Policy Studies School of Public Policy and Social Research University of California. Los Angeles (310) 206-4774 mstoll@ucla.edu

Brookings Center on Urban and Metropolitan Policy Phone: (202) 797-6139 Website: www.brookings.edu/urban

