

Derivation of Estimated Need for Jobs and Job Readiness

This is a draft of a memorandum which builds upon data reported in *The Rockefeller Foundation 1996 Annual Report* (pages 38 and 124). The data "compares the **employment needs of two poor inner-city communities** with the larger metropolitan region in which they are located". It has been developed in response to the question: "How many jobs would it take to employ former welfare recipients and the unemployed in Baltimore, Sandtown-Winchester, Dade County, and Overtown?" The data and logic supporting this analysis is based on work done in the "Cost of Poverty" studies done in Sandtown-Winchester and Overtown and on an extensive database of census information developed for all urban areas of the U.S. The two "Cost of Poverty" studies were funded by Enterprise Foundation and by the W. K. Kellogg Foundation.

Part I: Census Data (1990)

This analysis is based entirely on data from the 1990 Census of Population and Housing, including population, labor force, unemployment, households with public assistance income, and civilians age 16-19 not in school and not working.

Both Sandtown-Winchester and Overtown are inner-city communities of approximately 10,000 people located in large metropolitan areas. Both have persistent urban problems related to crime, health, housing, poverty, education and employment. In both neighborhoods, these problems are as severe as they are in any other neighborhood in their metropolitan area.

	Baltimore		Dade County	
	Balt. MSA	Sandtown	Dade county-wide	Overtown
Persons (population)	2,382,172	10305	1,937,094	10296
Employment age persons (age 16-64)	1,586,165	6201	1,249,106	5800
Labor force	1,276,614	3670	982,191	2791
Civilian labor force	1,253,496	3663	976,754	2791
Unemployed persons (age 16+ in civilian labor force)	61,314	809	74,926	640
Labor force participation (persons 16-64) (%)	0.8048	0.5918	0.7863	0.4812
Unemployment rate (%)	0.0489	0.2209	0.0767	0.2293
Households with public assistance income	67,812	1327	68,963	1127
Households with public assistance income (%)	0.0771	0.39	0.0996	0.333
Civilians age 16-19 not in school, not working	13,509	248	11,806	205
Civilians age 16-19 not in school, not working (%)	0.1124	0.3724	0.1141	0.3208

Part II: "Normal" Employment Levels

The following shows how the above census data has been used to estimate the number of jobs needed and the number of people who must be made job ready.

The most severe measure of unemployment in many inner city areas is depressed labor force participation resulting from people being discouraged and no longer seeking work. These people are not counted as unemployed. If we take a labor force participation level of 80% as "normal", we can then estimate the number of people who would be working or seeking work under "normal" conditions. By subtracting the civilian labor force as reported, we have a measure of under participation in the labor force.

	Baltimore		Dade County	
	Balt. MSA	Sandtown	Dade county-wide	Overtown
Normal labor force participation (80%)	1,268,932	4961	999285	4640
Under participation in the labor force	15,436	1298	22531	1849

Some level of unemployment is essential to an economy simply to allow for people changing jobs. In this analysis, 5% is taken as "normal unemployment". By subtracting the number of people reported to be unemployed, the level of "excessive unemployment" is estimated.

	Baltimore		Dade County	
	Balt. MSA	Sandtown	Dade county-wide	Overtown
Normal unemployment (5%)	63447	248	49964	232
Excessive unemployment	-2133	561	24962	408

By adding together under participation in the labor force and excessive unemployment, we get a measure of "under-employment". We might conclude from this analysis that an inner city neighborhood of 10,000 people needs approximately 2000 new jobs and people prepared or trained for these jobs to achieve a normal level of employment.

It is also clear that neither unemployment nor households on public assistance are adequate measures of the need for jobs and job readiness in the inner city. Both of these two inner city communities have 22% unemployment and 33-39% of households with public assistance income, while "under-employment" is 37-49% of the "normal labor force" (after adjusting for normal labor force participation and unemployment). In other words, the **metropolitan areas have many more households receiving public assistance** than they have persons under-employed, while the **inner-city areas have many fewer households receiving public assistance** than they have persons under-employed.

This conclusion is further proven in examination of other metropolitan and inner-city areas below.

	Baltimore		Dade County	
	Balt. MSA	Sandtown	Dade county-wide	Overtown
"Under-employment"	15436	1859	47493	2257
"Under-employment" (%)	0.0122	0.3747	0.0475	0.4864

Part III: Reconciling "Under-employment" and Public Assistance

Let's look at "households receiving public assistance income" to see how it checks with this measure of "under-employment". In the Baltimore MSA and Dade County the number of households receiving public assistance income is much greater than our measure of "under-employment". In Baltimore city it is about the same, and in the two inner city neighborhoods the number of households receiving public assistance income is smaller than "under-employment". I believe we would explain fewer households on public assistance in inner city areas on the "informal sector". In other words, inner city households are more likely to depend on support from the informal sector than households in other areas. Areas that are more "normal" include proportionately more households depending on public assistance rather than on the informal sector.

If we consider that inner city areas have been under-served with regard to public assistance and if we wish to reduce the dependence on the informal sector, then we might increase the number of jobs and job ready people needed to provide "normal" employment in an inner city neighborhood. In order to do a better job with this assumption, we might make a cross-tabulation of households receiving public assistance income vs. unemployment using PUMS or other data.

Part IV: Conclusions

Certain conclusions are evident from this data on two inner city areas and the metropolitan areas of which they are a part.

1. Inner city areas are underserved by public assistance. The number of Sandtown and Overtown households receiving public assistance is 50-71% of the number of persons who are under-employed (1327=1859 in Sandtown and 1127=2257 in Overtown). By contrast, the metropolitan areas of which they are part have 145% to 440% as many households receiving public assistance as they have persons under-employed. (It should be noted here that "under-employed" is expressed in terms of full time job equivalents.)
2. Assuming a goal of "full employment", an employment agency seeking to place inner-city people in jobs will find that most of its clients will need to be persons who heretofore have not been seeking employment. They are likely to be people who have been depending on the informal sector. If 80% labor force participation and 5% unemployment are to be achieved, then 70% of successful job placements in Sandtown and 82% from Overtown will be of people not in the labor force in 1990.
3. An inner city neighborhood of 10,000 people needs to make approximately 2000 successful job placements (1804 in Sandtown-Winchester and 2192 in Overtown) in order to achieve full or normal employment (80% labor force participation and 5% unemployment).

	Baltimore		Dade County	
	Balt. MSA	Sandtown	Dade county-wide	Overtown
Ratio public assistance to "underemployment"	4.3931	0.7138	1.4521	0.4993
Clients from under participation in labor force	1	0.6982	0.4744	0.8192
Clients from excessive unemployment		0.3018	0.5256	0.1808
Ratio underemployment to unemployment	0.25	1.7	0.62	2.12
Placements needed per 10,000 population	65	1804	245	2192

Part V: Employment Needs in Other Urban Areas

In order to test the conclusions of this work, similar analysis has been undertaken in other inner-city areas of the U.S. and the metropolitan areas of which they are part.

1. Overtown is as badly underserved by public assistance as any of the inner city areas examined. South/Central LA and Southeast DC were similarly underserved (50%). The South Bronx, Detroit and Chicago inner city areas were underserved at the level of Sandtown (71%), while the Carver neighborhood in Atlanta and the Kansas City inner city were served somewhat better at 78% and 93% respectively. Most major inner city areas examined were below the level of service in their metropolitan areas. But three areas might be exceptions. The South Bronx was served as well as Bronx County. The Kansas City inner city was served about as well as Wyandotte County (Kansas). And, the Detroit inner city area was served about as well as Wayne County.
2. It is consistently true in all inner city areas that if "normal employment" levels are to be achieved, most successful job placements must be of people who were not in the labor force in 1990. Of nine major inner city areas examined, the range is from 67% in Chicago Southeast to 87% in the South Bronx.
3. There are big differences in the number of successful job placements needed to achieve "normal employment" among inner city areas. South Central LA and Carver in Atlanta are at the low end with 1348 and 1560 placements per 10,000 population while the South Bronx and Detroit inner city were at the high end with 2324 and 2541 placements per 10,000 population respectively.

Employment Needs in Major Urban Areas

	Families living below poverty level	Labor force participation	Unemployment rate	Underemployment Rate	Ratio public assistance to "underemployment"
Bronx County	0.2574	0.6554	0.119	0.2292	0.6924
South Bronx	0.5274	0.4623	0.1991	0.4872	0.7147
Lynchburg city, VA	0.1277	0.7545	0.0598	0.0651	0.8634
Lynchburg inner city	0.4292	0.6035	0.1392	0.3009	0.8673
District of Columbia, DC	0.1331	0.7838	0.0716	0.057	1.1478
Southeast DC	0.3907	0.5882	0.1694	0.3659	0.5064
Florida	0.0904	0.7828	0.0578	0.0431	1.0828
SE Florida	0.0981	0.8015	0.0637	0.0163	3.1119
Dade	0.1415	0.7863	0.0767	0.0475	1.4521
Overtown	0.5289	0.4812	0.2293	0.4864	0.4993
The Atlanta Project	0.2225	0.7486	0.1001	0.1126	0.8397
Carver	0.5221	0.5904	0.1608	0.3351	0.7812
Wyandotte County, KS	0.1391	0.7762	0.0853	0.065	1.0474
Kansas City inner city	0.6419	0.4636	0.2532	0.5171	0.9255
Los Angeles County	0.1165	0.7694	0.0737	0.0629	0.9897
South/Central LA	0.3558	0.646	0.1497	0.2639	0.4985
Baltimore MSA	0.0743	0.8048	0.0489	0.0122	4.3931
Baltimore city	0.1781	0.7358	0.0919	0.1173	1.024
Sandtown-Winchester	0.4385	0.5918	0.2209	0.3747	0.7138
Wayne County	0.1685	0.7193	0.1239	0.1636	0.7131
Detroit inner city	0.4815	0.5009	0.3322	0.5324	0.6905
Cook County	0.1114	0.7894	0.0804	0.044	1.5144
Chicago SE	0.4705	0.5767	0.2632	0.4201	0.71
Florida	0.0904	0.7828	0.0578	0.0431	1.0828
Palm Beach	0.0624	0.8165	0.0515	0.0025	13.7102
PBC Rural Empwrmnt Zone	0.3249	0.7045	0.189	0.2366	0.5097
Greensboro inner city	0.3255	0.7426	0.1159	0.1294	1.0727
Florida	0.0904	0.7828	0.0578	0.0431	1.0828
SE Florida	0.0981	0.8015	0.0637	0.0163	3.1119
Palm Beach County	0.0624	0.8165	0.0515	0.0025	13.7102
Belle Glade city	0.2553	0.7444	0.1635	0.1717	0.4687
Florida	0.0904	0.7828	0.0578	0.0431	1.0828
SE Florida	0.0981	0.8015	0.0637	0.0163	3.1119
Palm Beach	0.0624	0.8165	0.0515	0.0025	13.7102
PBC Development Regions	0.2642	0.7741	0.1176	0.0978	0.9225
Riviera Beach/WPB east	0.2596	0.7874	0.1084	0.0742	1.2308
Henderson County, NC	0.075	0.7706	0.0372	0.0379	1.0781
Hendersonville inner city	0.2839	0.8047	0.0951	0.0478	2.6613
Easton inner city	0.1896	0.8769	0.0502	0.0051	23.6

	Clients from Under participation in labor force	Placements Needed per 10,000 Population
Bronx County	0.7933	1167
South Bronx	0.8665	2324
Lynchburg city, VA	0.903	329
Lynchburg inner city	0.8164	1281
District of Columbia, DC	0.6687	319
Southeast DC	0.8112	1895
Florida	0.8681	213
SE Florida	0.17	80
Dade	0.4744	245
Overtown	0.8192	2192
The Atlanta Project	0.6163	593
Carver	0.7978	1560
Wyandotte County, KS	0.5001	319
Kansas City inner city	0.8137	2054
Los Angeles County	0.6722	336
South/Central LA	0.7319	1348
Baltimore MSA	1	65
Baltimore city	0.708	602
Sandtown-Winchester	0.6982	1804
Wayne County	0.6256	831
Detroit inner city	0.7037	2541
Cook County	0.3363	230
Chicago SE	0.6685	1889
Florida	0.8681	213
Palm Beach		12
PBC Rural Empwrmnt Zone	0.5086	1096
Greensboro inner city	0.5545	634
Florida	0.8681	213
SE Florida	0.17	80
Palm Beach County		12
Belle Glade city	0.4047	860
Florida	0.8681	213
SE Florida	0.17	80
Palm Beach		12
PBC Development Regions	0.3506	471
Riviera Beach/WPB east	0.2385	353
Henderson County, NC	1	181
Hendersonville inner city	0.0645	218
Easton inner city		24