

12-11-1992

An Economic Opportunity Concept for the Northside of the City of Kalamazoo

Timothy J. Bartik

W.E. Upjohn Institute for Employment Research, bartik@upjohn.org

George A. Erickcek

W.E. Upjohn Institute for Employment Research, erickcek@upjohn.org

Citation

Bartik, Timothy J. and George A. Erickcek. 1992. "An Economic Opportunity Concept for the Northside of the City of Kalamazoo." Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

<https://research.upjohn.org/reports/163>

This title is brought to you by the Upjohn Institute. For more information, please contact repository@upjohn.org.

An Economic Opportunity Concept for the Northside of the City of Kalamazoo

Authors

Timothy J. Bartik, *W.E. Upjohn Institute for Employment Research*

George A. Erickcek, *W.E. Upjohn Institute for Employment Research*

Upjohn Author(s) ORCID Identifier

 <https://orcid.org/0000-0002-6238-8181>

AN ECONOMIC OPPORTUNITY CONCEPT
FOR THE
NORTHSIDE OF THE CITY OF KALAMAZOO

BY

TIMOTHY BARTIK

GEORGE ERICKCEK

W. E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

December 11, 1992

AN ECONOMIC OPPORTUNITY CONCEPT
FOR THE
NORTHSIDE OF THE CITY OF KALAMAZOO

EXECUTIVE SUMMARY

Kalamazoo's Northside neighborhood houses a large proportion of the economically distressed population of Kalamazoo. Only 8 percent of the city's population lives in the Northside neighborhood.¹ But the Northside contains 18 percent of the city's residents living in poverty, and 14 percent of the city's unemployed workers.

Economic conditions worsened for the Northside during the 1980s. The Northside's unemployment rate increased from 21.6 percent in 1980 to 25.4 percent in 1990. The Northside's poverty rate increased from 37.0 percent in 1980 to 50.2 percent in 1990. These increased Northside economic problems occurred despite robust economic growth for the Kalamazoo area as a whole during the 1980s. Kalamazoo County's employment growth of 17.8 percent from 1979 to 1989 far exceeded Michigan's 1979-89 employment growth, and was second only to Grand Rapids' growth among West Michigan metropolitan areas.

This history suggests that economic growth of Kalamazoo County, by itself, is unlikely to solve the economic problems of the Northside. Furthermore, the economic outlook for Kalamazoo in the 1990s suggests that the county's employment growth will be slower than it has been in the past. Due to General Motors' recent decision to close its Kalamazoo facility by the end of 1995, county employment growth is expected to be below that of the nation during the 1990s.

¹ The Northside neighborhood is defined in this report as the area contained in 1990 census tracts 2.02 and 3.0 as shown on Map 1 in Section III.

Given the federal budget deficit, communities are increasingly forced to rely on local rather than federal resources to deal with social problems. Moreover, local governments are facing severe fiscal constraints, forcing communities to turn to public-private initiatives that leverage limited public funds to their maximum economic impact. The proposed Northside industrial park is such an initiative. However, many obstacles stand in the way of the proposed park's success. These obstacles include an ample supply of existing industrial space in the region and environmental problems with the Northside site. More importantly, if current hiring trends of Northside businesses continue, the proposed park, even if fully developed, will employ few Northside residents. Our interviews suggest that currently less than 5 percent of the workforce at Northside businesses are Northside residents.

The proposed Northside industrial park, therefore, is unlikely by itself to significantly reduce Northside poverty. What might help? To address this issue, we consider the findings of current national research on urban poverty. These findings include:

1. The overall economic development of the metropolitan area has strong effects on poverty. In a tight, local labor market, what previously seemed insurmountable barriers to the employment of the poor can be overcome. This may seem to contradict the Northside's increasing problems despite Kalamazoo's growth during the 1980s. But, the research literature suggests that if Kalamazoo's growth had been lower in the 1980s, Northside poverty would have increased even more.

2. Access to jobs matters. Despite our findings regarding the impact of the proposed Industrial park in the Northside, research suggests that being further from jobs decreases employment for young African-Americans. Greater distance to jobs may reduce employment because it increases transportation costs and because it reduces information on job availability.

3. There is some evidence that enterprise zones can work, but it is inconclusive.

4. Job training programs can produce earnings gains, but significant earnings gains require significant investments. There is some evidence that earnings effects of training programs for the disadvantaged are greater for more ambitious and expensive programs.

5. Employment discrimination against African-Americans, particularly young African-American men, is still widespread.

6. Giving African-Americans the freedom to move out of ghettos and into better neighborhoods seems to increase employment.

Based on these findings of national research, we suggest the following policy options be considered for helping bring more Northside residents into the economic mainstream:

1. Continued economic development efforts for Kalamazoo overall. Lowering Kalamazoo's overall unemployment rate would reduce Northside poverty somewhat. But the experience of Kalamazoo and other cities suggests that even a stronger local economy would still leave the Northside with unacceptably high poverty rates.

2. Efforts by employers, Northside residents, and others to better match Northside residents with employers. There are many reasons why the inner-city unemployed and employers do not connect: poor resident access to jobs, lack of skills, counterproductive attitudes of some inner-city residents, and racial discrimination by some employers based either on racial fear or poor information about job applicants. A comprehensive program addressing all these problems offers the greatest potential for significantly reducing Northside poverty.

The training component of this comprehensive package may be a more intensive training effort than is commonly conducted and would aim at the tougher goal of changing attitudes. To encourage individuals to pursue this intensive training effort, some type of job guarantee upon successful completion of the program might be offered. For employers to be willing to provide such job guarantees, they must be assured that the program will provide only qualified workers.

3. Improvements in the community environment available to current Northside residents. Individual Northside residents could be significantly helped by housing vouchers that would enable them to live in housing located in a lower-crime, healthier community environment. At the same time, aggressive community development efforts on the Northside would be needed to make the neighborhood more attractive to both voucher recipients and persons obtaining jobs from the intensive training program.

An intensive training program with guaranteed employment should be considered an experimental program. So should a housing voucher program combined with Northside community development. We do not have "scientific" evidence that shows that these programs will work. But these programs seem reasonable based on what we currently know about urban poverty. If programs in these areas are adopted, they should be run so as to allow for an objective outside evaluation of program effectiveness.

More details of a Northside anti-poverty program cannot be developed without more input from the groups affected by these programs: Kalamazoo employers, Northside residents, and housing and training providers. A process for developing specific programs might begin with a series of focus groups to discuss these problems and propose alternative solutions.

A community steering committee, with sponsorship from the City of Kalamazoo and funding from local foundations, might be the appropriate group to convene these focus groups. A staff for this steering committee should ensure that focus groups are provided with adequate information on the issues and policy

options, and encourage the focus groups to provide constructive recommendations. The steering committee and its staff could then draft an anti-poverty plan for the Northside, which would go through a process of review by the focus groups, Northside community groups, the city government, and local foundations. The steering committee could then move forward with plans for raising the needed funds to implement the proposed plan.

SECTION I.

INTRODUCTION

Nationwide efforts are being undertaken to address inner-city economic and social pressures that ignited the Los Angeles riots in April. However, the federal government is shackled by spending restrictions due to the growing federal deficit. State governments are equally strapped for funds, leaving communities on their own to find solutions to the growing economic malaise facing inner city residents.

The summer was quiet in Kalamazoo, but the lack of economic progress during the booming 1980s for many city residents is alarming. The percentage of families living at or below the poverty level (currently \$15,630 for a family of four) in the Northside rose from 37.0 percent in 1980 to over 50.0 percent in 1990; the percentage of Northside children living below the poverty line increased from 52.2 percent to 67.5 percent.

The task at hand is to envision an economic development concept that may bring economic opportunity to Northside residents and commercial businesses. In Section II, we present a long-term economic forecast for Kalamazoo County. General Motors's recent decision to close its Buick-Oldsmobile-Cadillac Division (BOC) metal fabrication facility dampens an already modest employment forecast for Kalamazoo County. Employment is still expected to expand through the 1990s, but we cannot depend upon unassisted, future economic growth to solve the employment problems facing Northside residents.

The economic and social characteristics of Northside residents are examined in Section III. The economic impact of the proposed Northside industrial park is analyzed in Section IV. Alternative development paths of the park are estimated. Unfortunately, by itself, the park will not address the employment needs of Northside residents.

In Section V., we review current research findings and thoughts concerning the economic problems facing low-income, minority-concentrated neighborhoods, such as the Northside. Finally, in Section VI. policy options for Kalamazoo's Northside are raised and discussed. Section VII provides a short conclusion.

SECTION II.

CURRENT AND FUTURE EMPLOYMENT TRENDS IN KALAMAZOO COUNTY

In this section we explore future employment trends in Kalamazoo County. Indeed, the range of local economic opportunities facing Northside residents is bound by the long-term employment trends in the County. Our long-term, employment forecast includes the announced 1995 shutdown of the General Motors Buick-Oldsmobile-Cadillac (BOC) Division Metal Fabrication plant in Comstock Township. The closure will eliminate approximately 3,100 jobs by the end of 1995.²

The future closure of the county's second largest employer and the resulting loss of hundreds of indirect retail and service jobs throughout the area substantially dampens the county's long-term employment outlook. Total employment in the county is forecast to increase at a 0.9 percent average annual rate from 1989 to 2000 (Table 1). If the plant remained opened, we forecast that the county employment would have grown at a 1.2 percent average annual rate during the 1990s.

In addition to the GM plant closing, future employment growth in the county will be restrained by slower national growth in the 1990s. The nation's employment growth rate is expected to be just half of what it was in the 1980s, due largely to demographic trends. Moreover, the national output is expected to expand at a lower rate in the 1990s than in the 1980s.

² We assume that plant operations will be phased out over a three-year period with 10 percent of the plant's 3,100 jobs being eliminated in 1993, 40 percent in 1994, and the remaining 50 percent in 1995.

Table 1							
EMPLOYMENT GROWTH IN KALAMAZOO COUNTY							
	1979	1989	2000	Kalamazoo		United States	
				1979-1989	1989-2000	1979-1989	1989-2000
TOTAL EMPLOYMENT	111,866	131,723	145,757	1.6	0.9	1.9	1.0
MANUFACTURING	30,974	31,443	26,491	0.2	-1.5	-0.7	-0.7
Durable Goods	13,485	12,899	8,367	-0.4	-3.9	-1.0	-0.9
Nondurable Goods	17,489	18,544	18,124	0.6	-0.2	-0.3	-0.4
NONMANUFACTURING	62,798	82,157	100,074	2.7	1.8	3.0	1.5
Mining	134	155	185	1.5	1.6	-1.7	-0.8
Construction	5,478	5,384	5,984	-0.2	1.0	2.0	0.8
Transportation, Public Utilities	3,684	3,309	3,557	-1.1	0.7	1.3	1.1
Finance, Insurance, Real Estate	5,453	9,284	11,810	5.5	2.2	3.3	1.3
Retail Trade	19,155	23,634	25,787	2.1	0.8	2.5	0.8
Wholesale Trade	3,411	4,595	4,832	3.0	0.5	1.7	0.6
Services	25,022	34,783	46,563	3.3	2.7	4.4	2.4
Agriculture, Forestry, Fishing	461	1,013	1,355	8.2	2.7	4.6	1.7
GOVERNMENT	16,357	16,757	18,067	0.2	0.7	1.1	0.5

Source: U.S. Bureau of Economic Analysis and the Upjohn Institute.

Currently, the county's manufacturing sector employs 24 percent of the county's workforce (including the self-employed), compared to 15 percent nationwide. During the 1990s, the number of manufacturing jobs are expected to decline in the county at over twice the national rate due to the GM plant closing. Without the closing, the county's expected decline in manufacturing jobs would have matched that of the nation. Of all manufacturing activities in the county, plastics, printing, and chemicals including pharmaceuticals, are projected to offer the best employment opportunities during the 1990s.

Employment in several of the county's nonmanufacturing sectors, including its financial and services sector, is expected to grow faster than the national average. Employment growth in the county's retail should match the national average, as the county's population growth is predicted to nearly keep up with the national rate. The county's below-average unemployment rate, low housing costs, and good

quality of life are expected to continue to attract and keep families and individuals in the area despite the General Motors closing. However, overall employment growth in Kalamazoo County is predicted to be only slightly higher than that of the state and below that of Grand Rapids.

Global competitive forces are expected to wrench further employment reduction in manufacturing and push employers to demand even greater communication and technical skills of its workforce. These pressures will continue to restructure the occupational demands of employers. Low or semi-skilled jobs paying good wages will be replaced by both high-skill, good paying jobs and low-skill, poor paying jobs.

Table 2 shows the projected 30 fastest growing occupations for the 1990s ranked by an Employment Growth Index. An occupation's Index is calculated by multiplying the absolute employment growth from 1989 to 2000 by its percent growth.³ Overall, employment growth in these 30 occupations will account for nearly 90% percent of all new jobs generated in the county during the 1990s. Of these top 30 occupations, 75 percent are expected to be in three major clusters: **Relatively low-skill, low-paying occupations** (e.g. food preparation, sales workers, protection services, cleaning, and personal services); **high-skill, high-paying** (managerial, lawyers, computer and math analysts); or **occupations in the health field**.

The growing importance of nonmanufacturing employment is shown by the fact that of the 30 fast-growing occupations show in Table 2, only 4 are clearly related to manufacturing or construction activities. In contrast, Table 3 shows the projected 30 slow-growing or declining occupations in Kalamazoo County. All but five of these occupations are in manufacturing or transportation services and include occupations that historically have offered high pay for relatively low-skilled workers.

³ The Index is used to adjust for the fact that occupations are not all the same size. Occupations with few workers can witness a dramatic percent change with a small increase of workers. Occupations with many employees, on the other hand, can experience substantial employment fluctuations and still record a small percentage change in employment.

Table 2
TOP 30 OCCUPATIONS - CHANGE 1989 TO 2000

Rank	Occupation	Absolute	Percent	Growth Index
<u>HIGH-SKILL, HIGH PAYING</u>				
9	Computer, Math, Res. Analyst	307	54.3	167
20	Lawyers	179	37.0	66
3	Managerial & Administrative	1492	16.2	242
25	Other Professional Wkrs, NEC	216	26.9	58
13	Other Technicians	377	38.6	145
16	Security & Financial Svcs.	152	78.4	119
4	Teachers, Librarians, Cnslrs.	1050	19.9	209
<u>HEALTH CARE JOBS</u>				
1	Health Assessment, Treatment	830	29.9	248
26	Health Diagnosis	175	23.9	42
5	Health Service	701	28.9	203
8	Health Technician, Technology	633	28.5	180
<u>LOW-SKILL, LOW-PAY</u>				
29	Cashiers	329	11.0	36
14	Cleaning Occups.	671	19.2	129
2	Food Preparation & Service	1504	16.3	246
10	Information Clerks	484	32.4	157
12	Management Support	754	19.6	148
18	Non-Farm Gardeners	330	32.4	107
17	Other Clerical, NEC	953	12.4	118
11	Other Sales Wkrs, NEC	823	19.0	156
24	Other Service, NEC	240	24.4	58
7	Personal Service	561	32.4	182
6	Protective Service	725	26.7	193
28	Secretarial, Steno, Typist	461	8.5	39
<u>OTHERS</u>				
27	Construction Trades	364	11.3	41
30	Machinist, Rel. Mech, Inst.	256	10.4	27
23	Motor Vehicle Operator	429	14.5	62
15	Real Estate Agents	224	55.2	124
22	Social, Recreation & Rel Wkrs	275	22.7	62
21	Vehicle & Mobile Equip Mech	296	21.2	63
19	Writers, Artists, Entertainers	272	24.5	67

Growth Index = Absolute Change * Percentage Change

NEC = Not Elsewhere Classified.

**Table 3
SLOW GROWING OR DECLINING OCCUPATIONS**

Occupation	Absolute	Percent	Growth Index
<u>LOW-MEDIUM SKILL, HIGH PAY</u>			
Chemical Plant & System Oper.	-38	-13.8	-5
Comm. Equip. Mech., Inst.	-18	-20.5	-4
Comm. Equip. Operators	-54	-15.6	-8
Comb. Mach Tool Operators	-47	-32.0	-15
Elec. Power Oper., Dist.	1	1.9	0
Material Moving Oper.	8	0.7	0
Mach. Tool Cut & Form	-696	-52.3	-364
Metal Fabr. Mach. Oper.	-147	-54.2	-80
Metal & Plastic Mach.	-145	-21.7	-31
Num Ctrl Mach Tool Oper.	-13	-13.7	-2
Other Mach. Oper. NEC	-436	-10.7	-47
Other Plant & Sys. NEC	-4	-4.3	0
Precision Assemblers	-115	-33.3	-38
Precision Food Wrks.	-17	-7.0	-1
Precision Insp. Tstr.	-122	-13.8	-17
Precision Metal Wks.	-333	-24.8	-83
Precision Woodworker	3	1.7	0
Rail Transp. Wks.	-9	-21.4	-2
Sups., Farm, For, Agric.	3	4.1	0
Water Transp Workers	2	1.9	0
Woodworking Mach. Oper.	3	4.2	0
<u>LOW-SKILL, LOW PAY</u>			
Farm Occupations	-79	-7.4	-6
Hand Helpers, Laborers	7	0.1	0
Hand Workers	-765	-27.4	-209
Private Household Wks.	-216	-27.7	-60
Textile & Rel. Oper.	-41	-8.1	-3
<u>OTHER</u>			
Blue Collar Wkr. Sups.	-122	-5.5	-7
Fin. Record Proc. Occup.	-104	-3.4	-4
Rec, Sched, Disp. Occup.	-58	-2.2	-1
Stationary Engineers	-2	-3.6	0

Growth Index = Absolute Change * Percentage Change NEC = Not Elsewhere Classified

In short, many of the occupations that have historically provided good wages for low-skilled work will continue to disappear in the 1990s. Many will be replaced by occupations that also pay good wages but will also require more advanced skills.

While the county's long-term forecast is positive, we cannot depend on future employment growth to resolve the economic problems facing many county residents, including those living on the Northside. If our forecast holds, county employment will grow at a lower rate during the 1990s than in the 1980s, while the county's population will increase at a faster rate. County workers will find increased competition for fewer new jobs in the 1990s than they did in the 1980s.

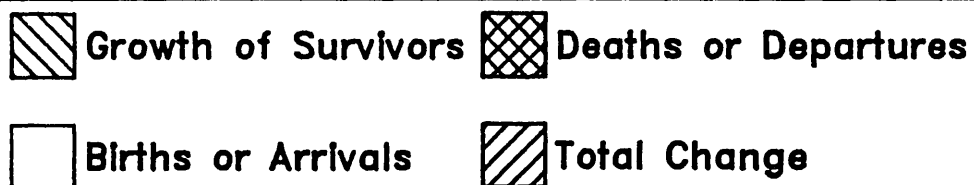
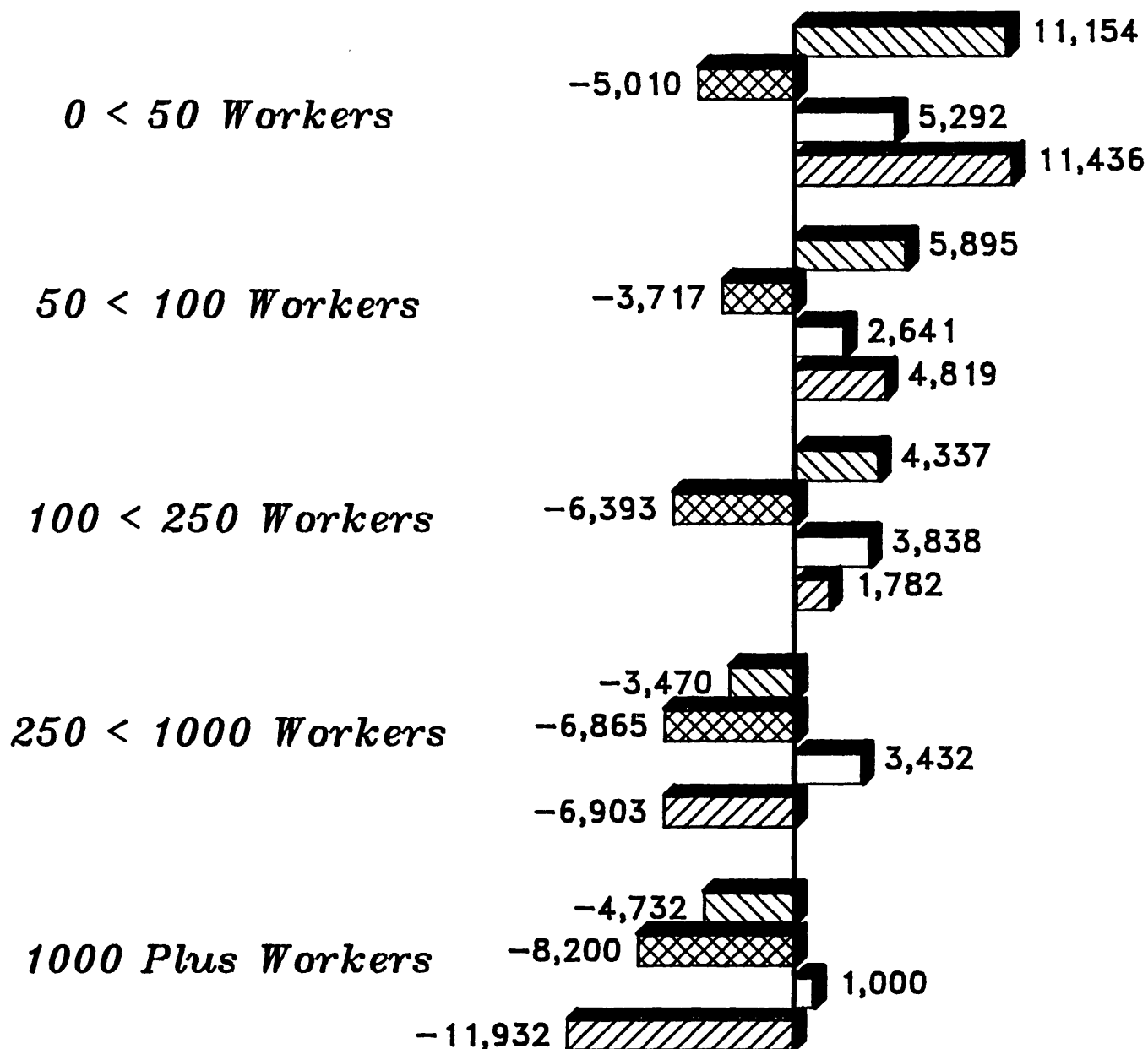
In addition to demanding a different mix of occupations, tomorrow's workplace will also be smaller if current trends continue. Researchers have found that employment growth occurred primarily in small establishments during the 1970s and 1980s. As shown in Chart 1 from 1979 to 1989 in metropolitan West Michigan, employment growth in manufacturing establishments with fewer than 50 workers nearly matched the employment loss of establishments that employed 1000 or more.⁴ Most of the employment gains in the 1980s were due to internal expansions. Employment gains due to start-ups and moves nearly cancelled out job losses due to closures and departures.

Current data suggest that this trend of work being done in smaller establishments will continue. Smaller establishments can be more flexible and respond more quickly to market changes than larger establishments. Betty Daly, President of Mayday Chemical located on the Northside, points to the "4Fs" - focused, flat (management structure), fast, and flexible- as the key characteristics of a successful small business.

⁴ George Erickcek and Walter Miller "Does Establishment Size Matter: Manufacturing Employment in West Michigan" Business Outlook for West Michigan Vol. VIII, No.1, Fall, 1991.

Employment Change by Size of Establishment Metro West Michigan (1979-1989)

Establishment Size in 1979:



However, in general, small firms pay lower wages and provide less benefits to their workers than larger companies. In a major statewide survey conducted by the Michigan Industrial Technology Institute (ITI), researchers found that many small manufacturers were on a downward spiral. Many small companies pay low wages to be competitive, and as a result, suffer from high turnover rates. In turn, these high turnover rates discourage these firms from providing technical training, blocking them from adopting more efficient production techniques. Moreover, Hollenbeck, et al⁵ in their more recent intensive survey of state small businesses found "that fewer than 5 percent of small business firms offer workplace education programs, and the incidence is probably more on the order of 1 to 3 percent."

In summary, the recently announced closure of the county's General Motors facility significantly dampens the long-term employment outlook for the county. County employers will continue to offer good paying jobs, but only to those with more advanced training and experience. Good paying, low-skilled jobs, primarily in manufacturing, will continue to disappear in the 1990s. Finally, if past trends continue, the county's typical workplace will be smaller than before. These trends suggest both the need for increasing the training opportunities for Northside residents and the importance of facilitating the growth of existing and new small manufacturing establishments in the Northside.

⁵Kevin Hollenbeck, William Anderson, and Ken Kline "Workplace Education Programs in Small and Medium-Sized Firms in Michigan" Business Outlook for West Michigan, Vol. VIII. No. 4. Summer 1992.

SECTION III.

ECONOMIC AND SOCIAL CONDITIONS OF NORTHSIDE RESIDENTS

The economic and social conditions facing Northside residents are harsh: over a quarter of the neighborhood's labor force is unemployed, and over 50 percent of its families live below the poverty level. Economic conditions in the Northside worsened in the 1980s, despite six years of strong economic growth, nationwide.

In this study the Northside neighborhood is composed of U.S Census Bureau's Census Tracts 2.02 and 3, as shown in Map 1. Unfortunately, the 1990 Census Tract boundaries do not conform exactly with 1980 boundaries. Whereas Census Tract 2.02 covers the same geographical area in both censuses, Census Tracts 3 and 5 (to the west of the Northside neighborhood) were slightly enlarged in 1990 to absorb former 1980 Census Tract 4.01. In 1980, 753 individuals resided in Census Tract 4.01. It is impossible to determine what proportion of this population is now included in Census Tract 3. In comparing the economic and demographic conditions of the Northside neighborhood in 1980 to 1990, we have included all of the former Census Tract 4.01 in the 1980 statistics.⁶

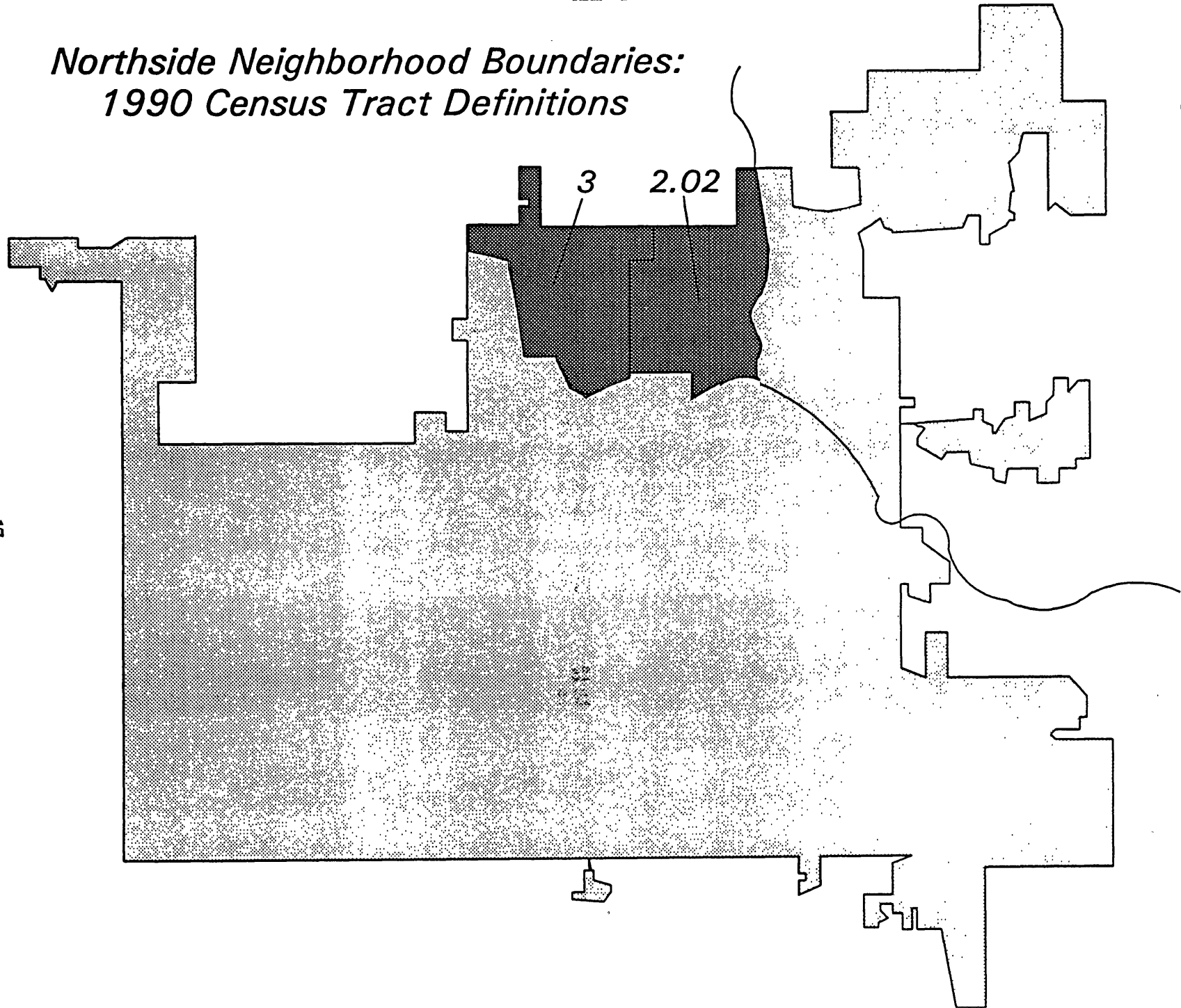
In 1990, 6,135 persons resided in the Northside neighborhood. As shown in Chart 2, nearly 85 percent of the neighborhood's population was black in 1990; over one-third of the city's black population live in the Northside neighborhood. The unemployment rate of Northside residents reached 25.4 percent in 1990,

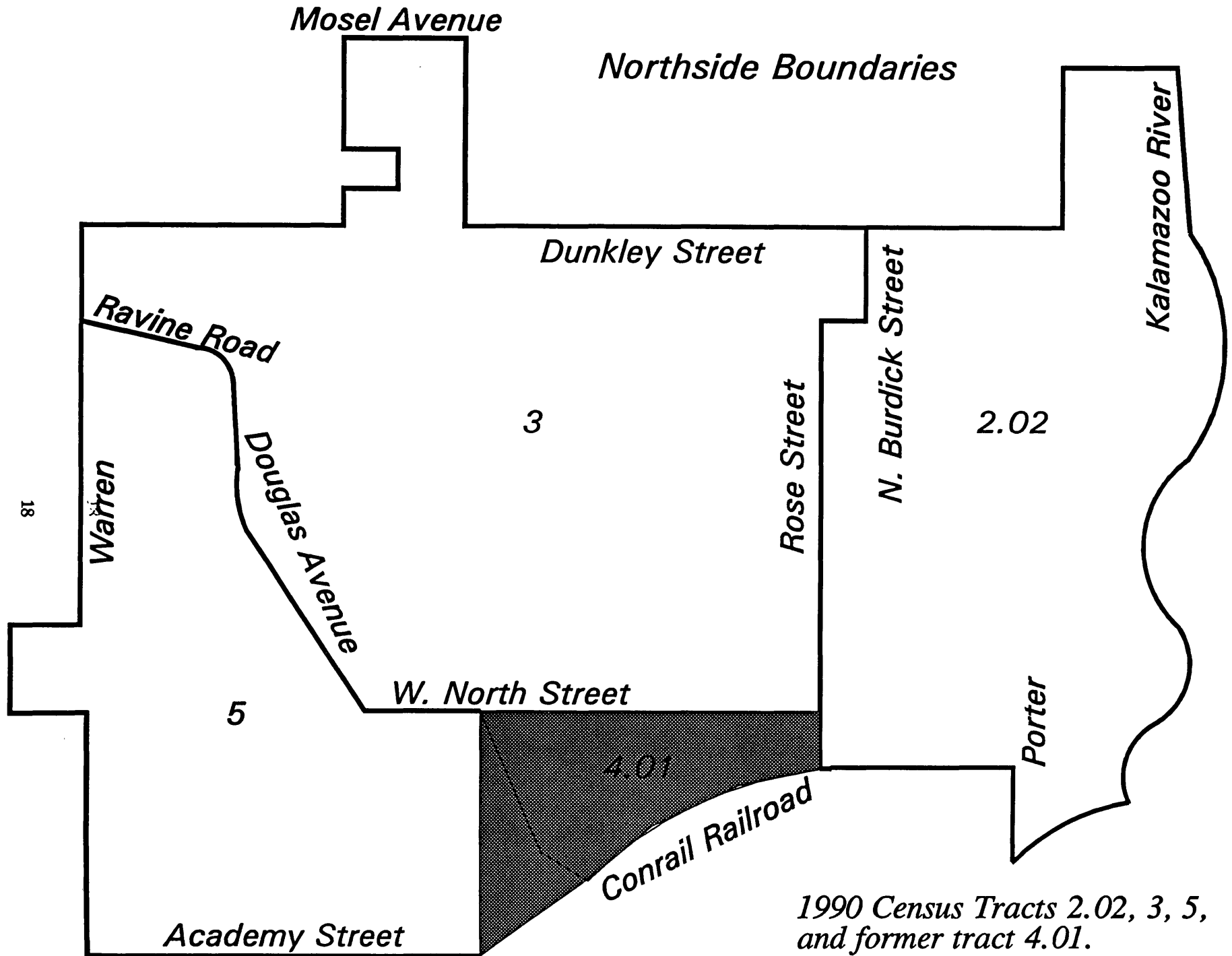
⁶The demographic and economic attributes of the residents in the former 1980 Census Tract were similar to those of the residents in Tract 3. As shown below:

	<u>3</u>	<u>4.01</u>
Percent Black	80.4	50.0
Median Age	21.9	21.7
Median household income	\$9,766	\$7,454
% of household living below the Poverty Level.	36.3%	41.4%

*Northside Neighborhood Boundaries:
1990 Census Tract Definitions*

17

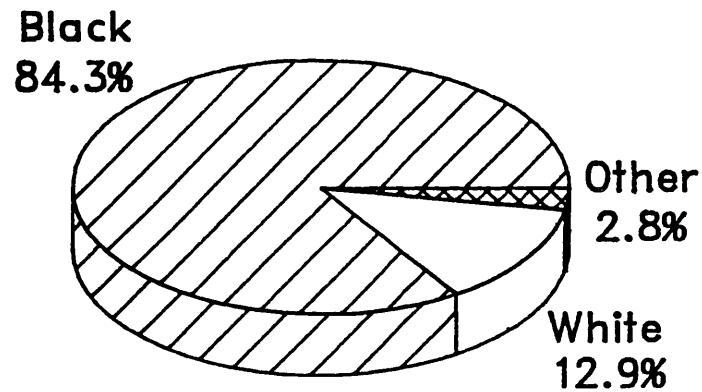




*1990 Census Tracts 2.02, 3, 5,
and former tract 4.01.*

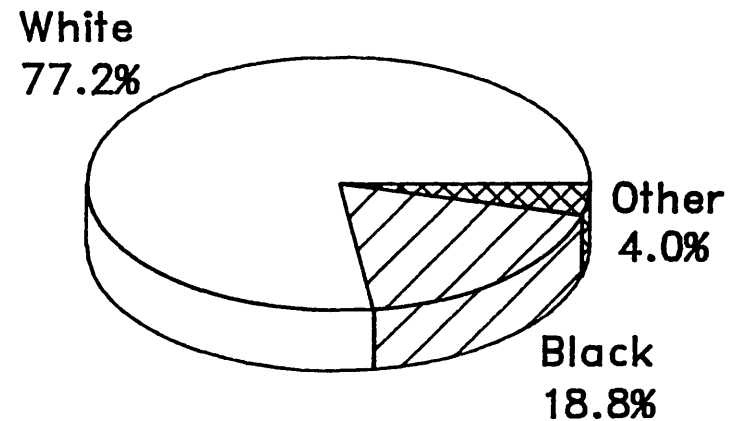
Population by Racial Composition

Northside



Hispanic: 3.1%

Kalamazoo City



Hispanic: 8.7%

34.3% of the City's Blacks
Live in Northside.

compared to a city-wide unemployment rate of 9.2 and a county rate of 6.2 percent.⁷ Less than half of Northside residents over the age of 16 are in the labor force, compared to 62.2 percent city-wide and 67.9 percent county-wide. Lack of employment opportunities, transportation, and family support services such as day-care contribute to the lower labor force participation of Northside residents.

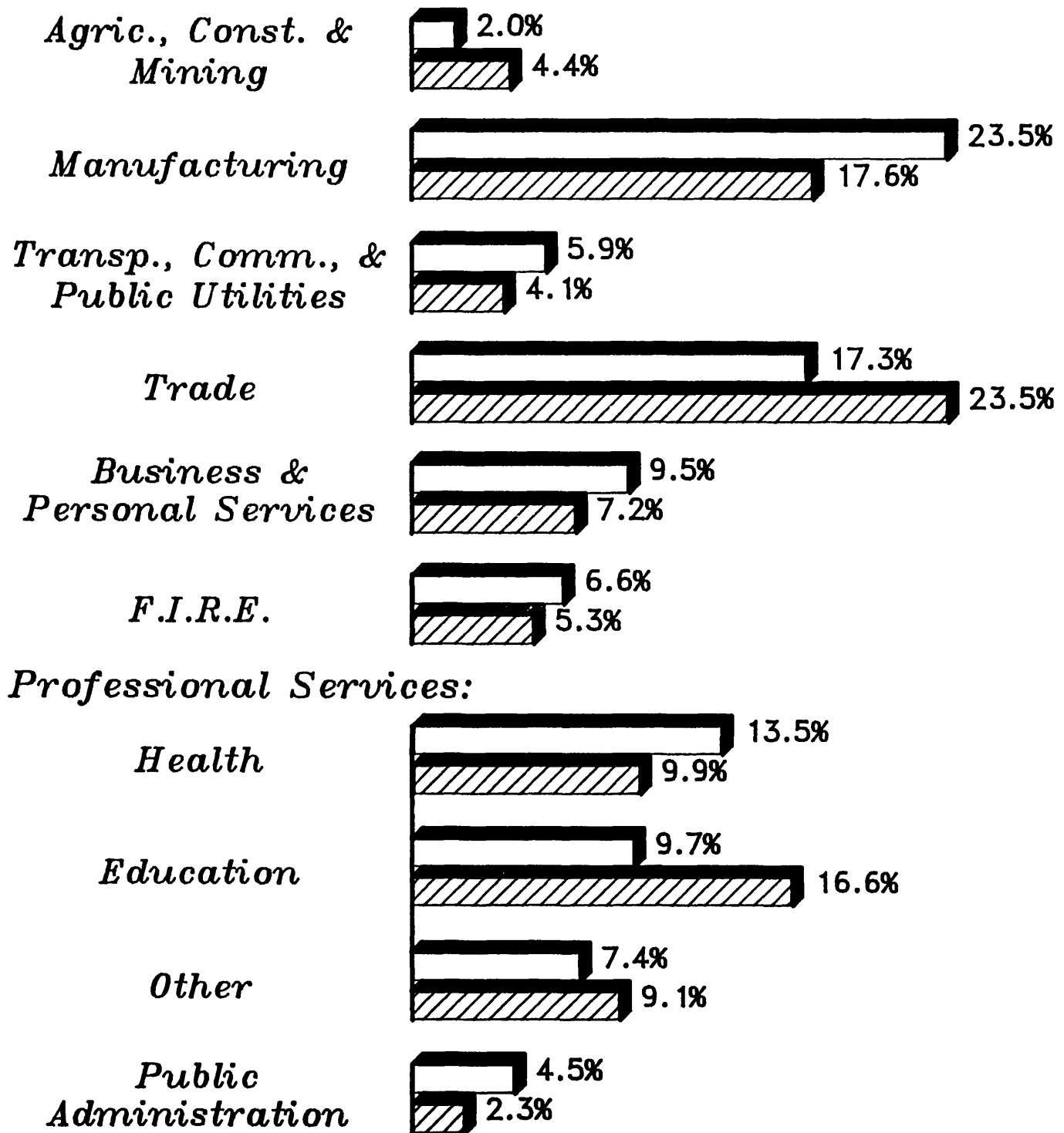
As shown in Charts 3 and 4, relative to Kalamazoo City as a whole, Northside's 1,478 workers are under-represented in the managerial and professional occupations and over-represented in services (e.g. health and protective services) and operators, fabricators, and laborers. A higher percentage of Northside workers are employed in manufacturing and health services than the city-wide workforce.

Today's jobs in manufacturing and most service occupations demand more skills. Unfortunately, as shown in Chart 5, the education level of Northside residents over the age of 25 is below that of city residents, overall. Indeed, 44.4 percent of Northside residents, 25 years or older, did not finish high school, and only 28 percent attended formal schooling beyond the high school level. City-wide, over half of the residents 25 years or older attended schooling beyond high school.

Limited employment opportunities coupled with low education achievement equals low household incomes for most of Northside residents as shown in Charts 6 and 7. Over half of the households in the Northside earned income less than \$10,000 in 1989, compared to only 24 percent city-wide. Over one-half of

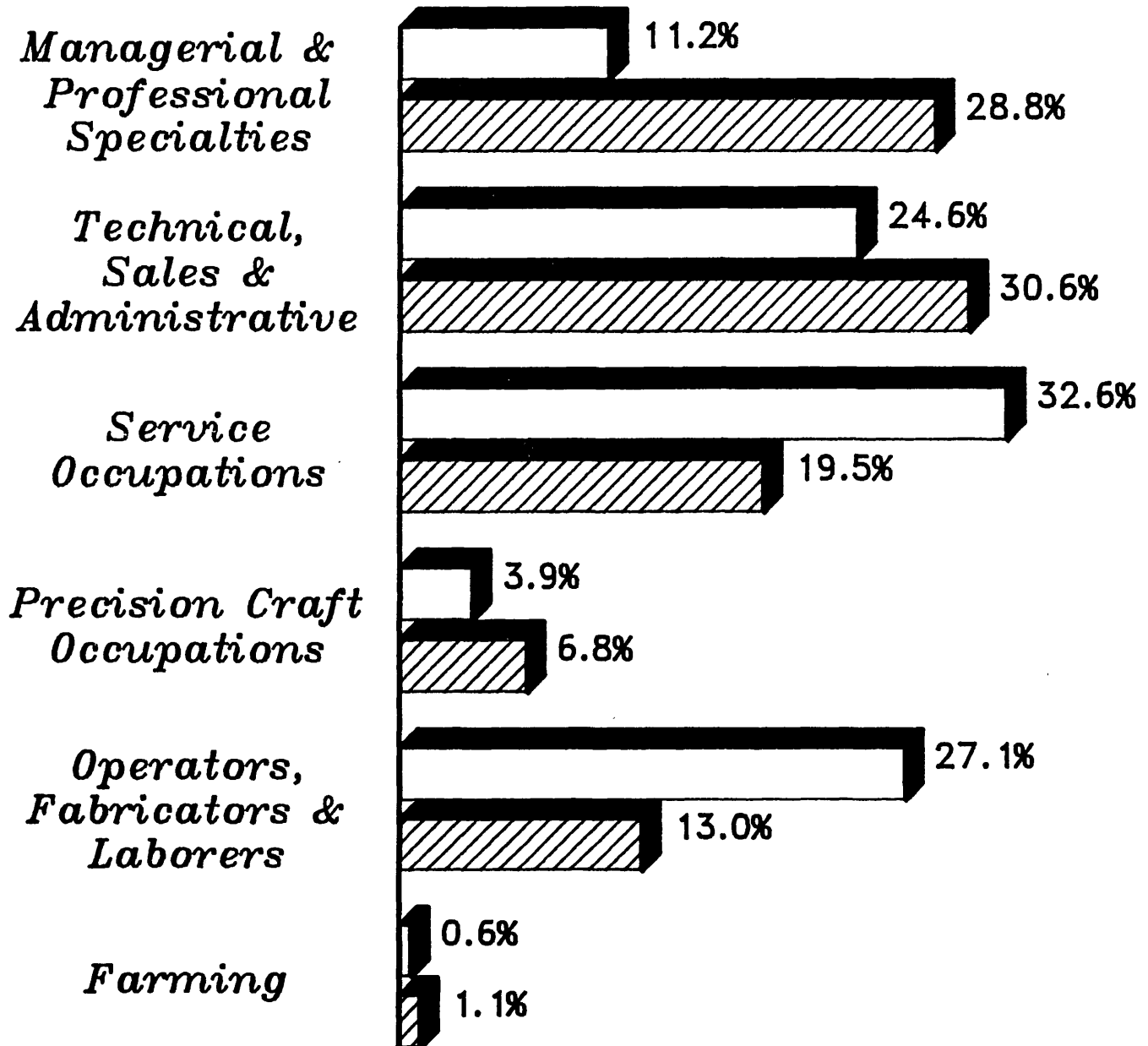
⁷ Since city-wide labor market statistics include the Northside, this direct comparison understates the difference between the Northside's unemployment rate and that for the rest of the city. If the Northside is excluded from the city-wide numbers, then the city's unemployment rate in 1990 falls to 8.3 percent.

Employment by Industry



Employment by Occupation

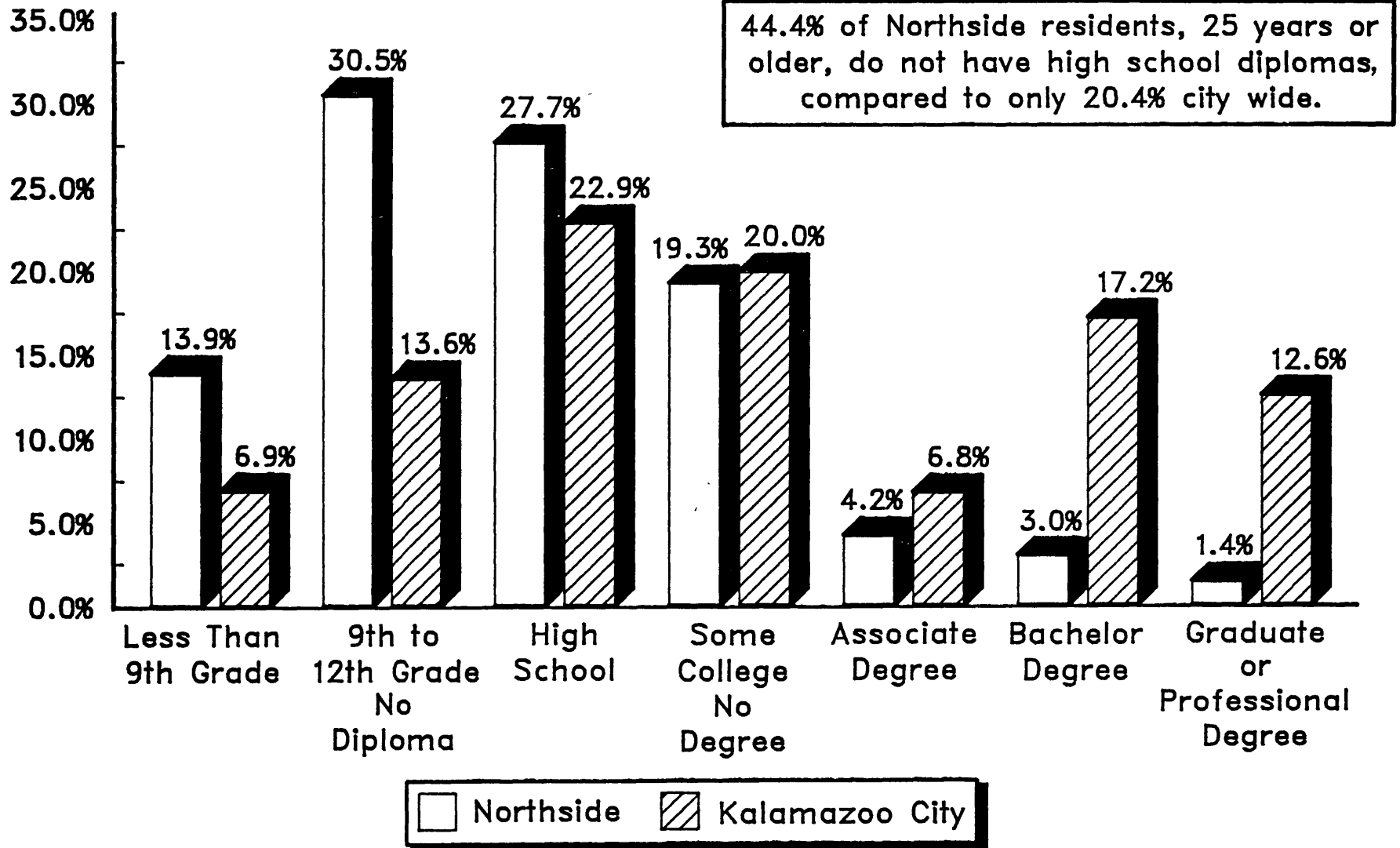
Percent of Employed Persons, 16 Years and Older



☐ Northside
 ☒ Kalamazoo City

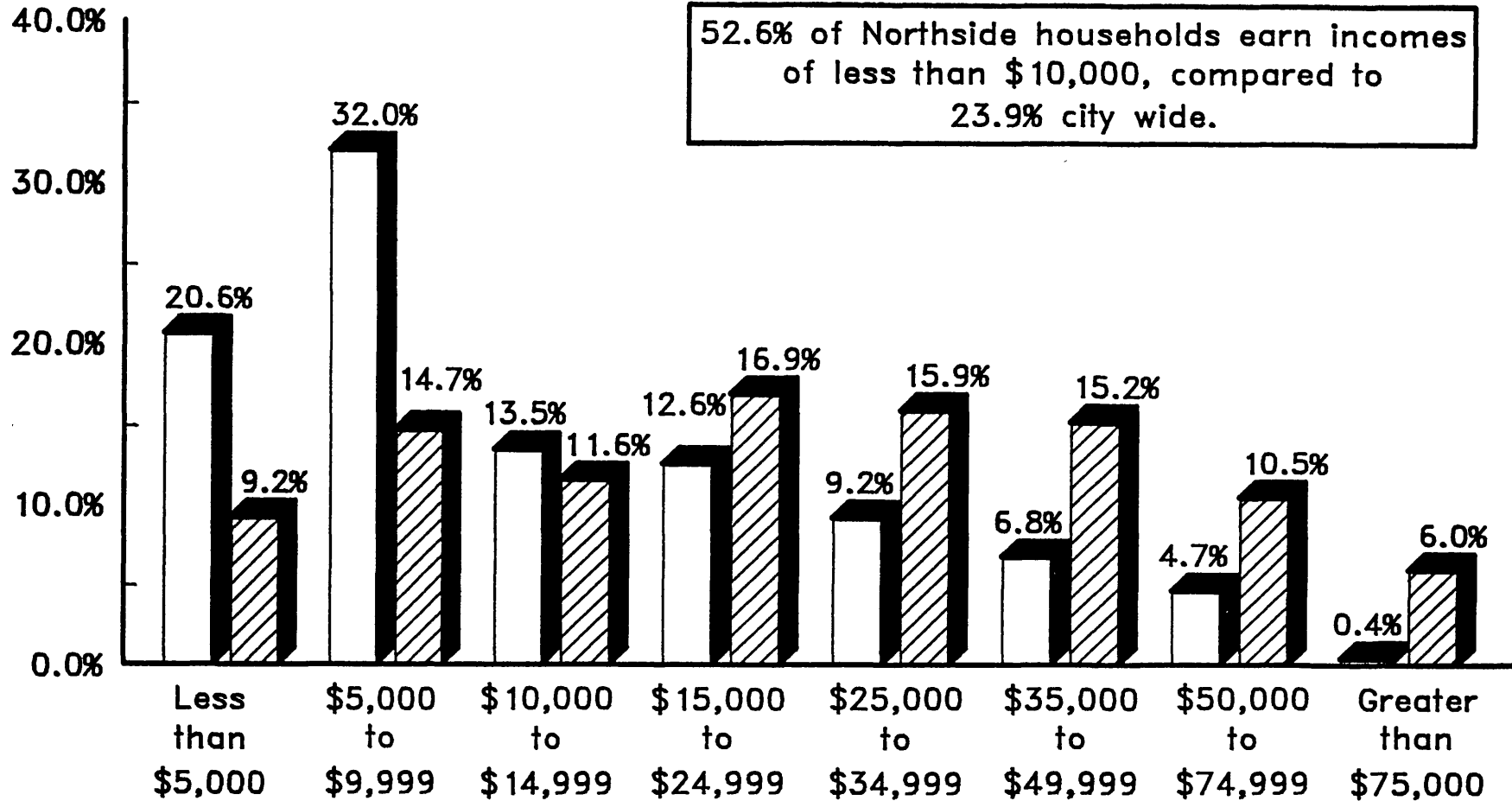
Educational Achievement Individuals 25 Years or Older

Percent of Individuals 25 Years or Older



Number of Households by 1989 Income Classification

Percent of Households

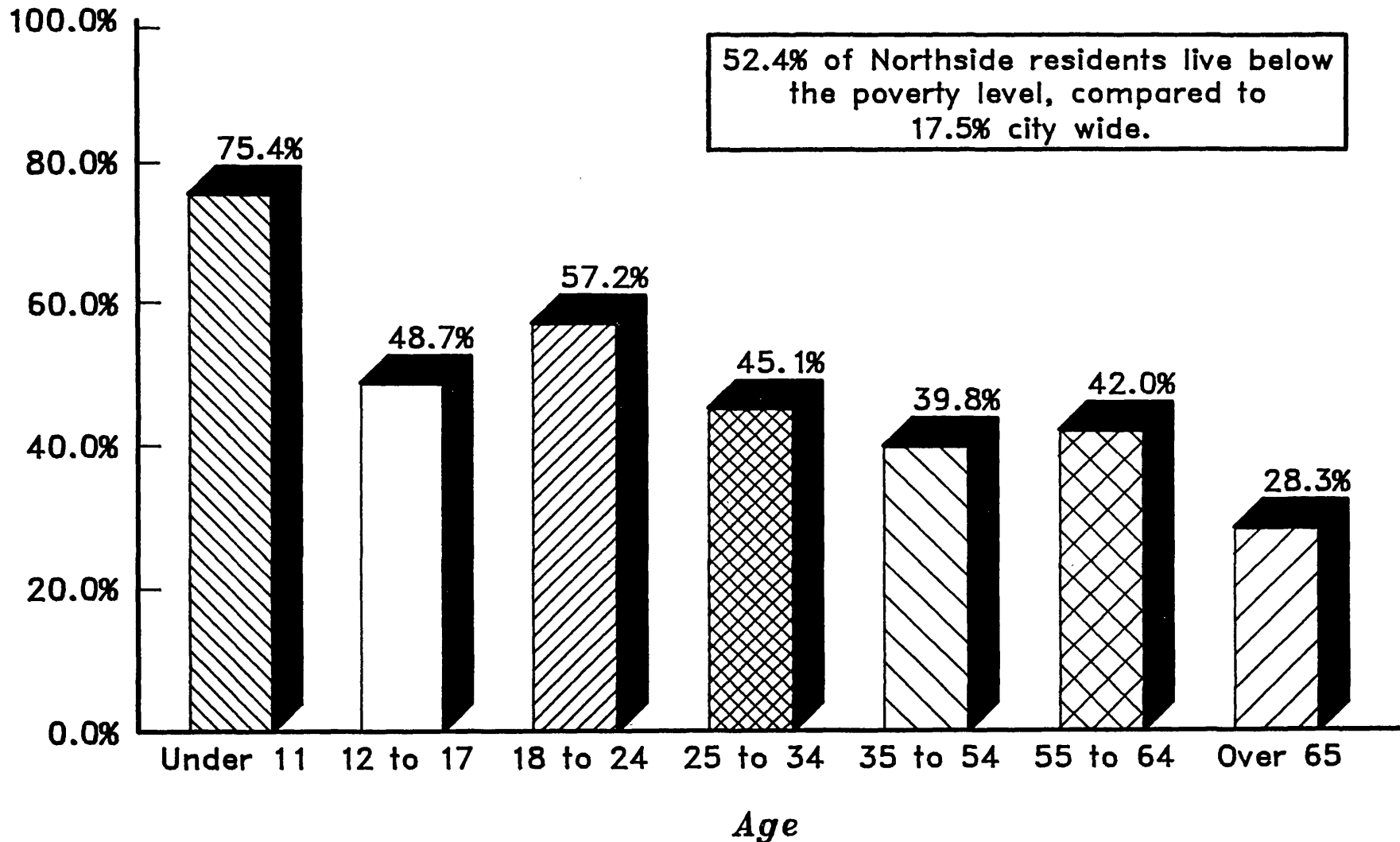


□ Northside ▨ Kalamazoo City

CHART 7

Percent of Individuals Under the Poverty Level By Age Group

Percent in Poverty



the families on the Northside live below the poverty level.⁸ Of the 3,260 individuals living below the poverty level, over 50 are below 18 years of age. Over 75 percent of Northside children are living in households that are below the poverty level. Over 1,400 Northside residents are surviving on incomes that are less than half the poverty line thresholds.

Economic conditions in the Northside were worse in 1990 than 10 years earlier. As shown in Table 4, the neighborhood's unemployment rate and percentage of families living below the poverty line both increased in the 10 years.

Table 4		
ECONOMIC CONDITIONS IN THE NORTHSIDE AREA 1980 - 1990 COMPARISON		
	1980	1990
<u>EMPLOYMENT</u>		
Unemployment Rate	21.5	25.4
Males	18.8	25.2
Females	24.0	25.6
<u>INCOME</u>		
Percent of Families below the Poverty Level	37.7	50.2
Percent of Children below the Poverty Level	50.8	27.9

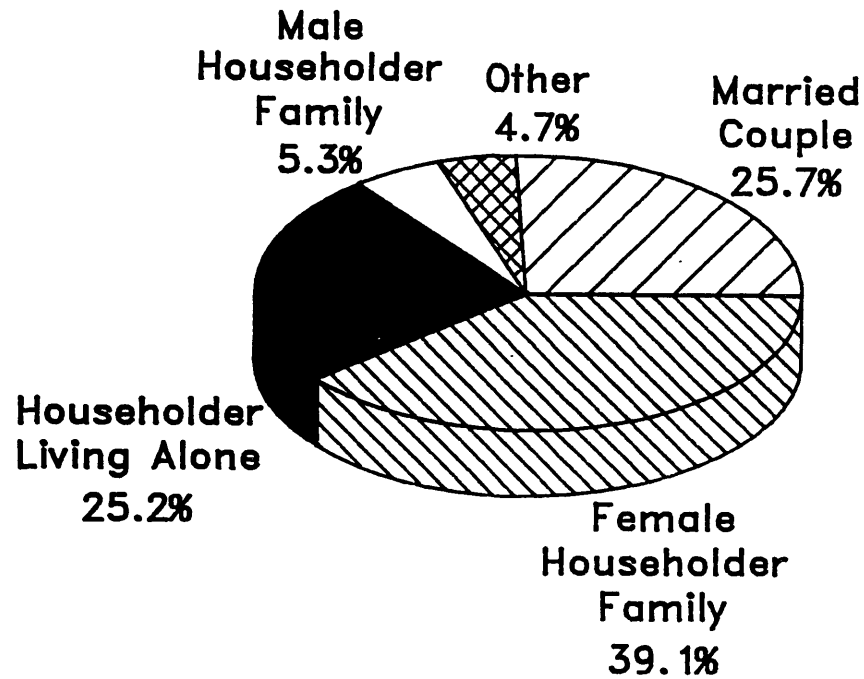
Finally, the economic hardships facing Northside residents in combination with other factors have disrupted the family structure of many Northside residents. As shown in Chart 8, the traditional married couples make up only 25.7 percent of all households in the Northside compared to 34.7 percent, city-wide. Female-headed households account for nearly 40 percent of all households with two or more persons, and nearly 80 percent live below the poverty line.

⁸The poverty level for households depends upon household size and represents an estimate of the minimum level of income required to maintain a stable level of subsistence. Current poverty line thresholds by household size are given below:

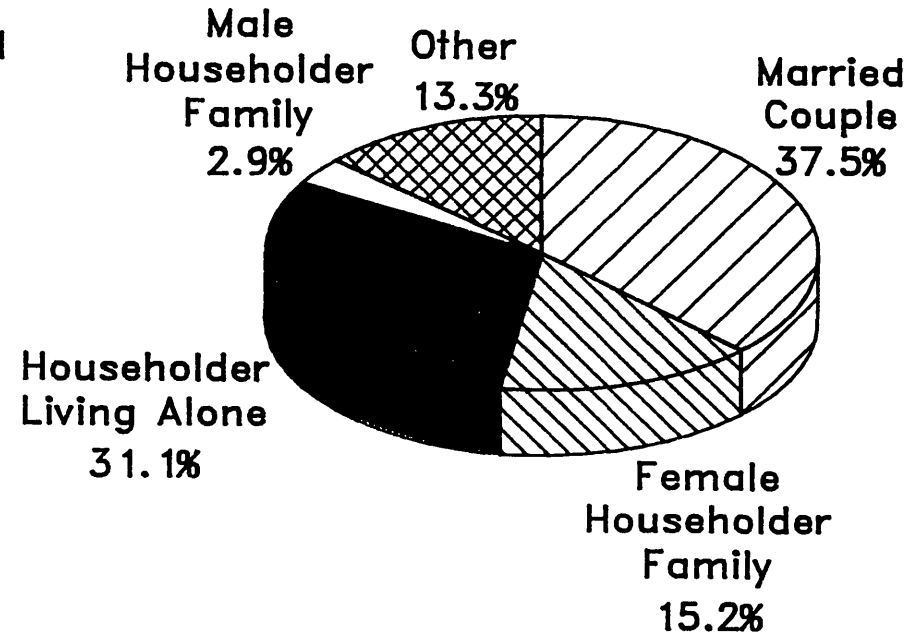
Family Size	Poverty Income Level (metropolitan areas)
1	\$ 6,810
2	9,230
3	12,660
4	15,630
5	18,450
6	21,570

Households by Type

Northside



Kalamazoo City



SECTION IV.

EVALUATION OF THE PROPOSED NORTHSIDE INDUSTRIAL PARK

To encourage employment growth in the Northside, an Industrial Park has been proposed by neighborhood businesses, residents and city officials.⁹ Bordered by Porter Street to the west, Paterson to the north, Verburg Park to the east, and North Street to the South, the park would offer 12 developable lots ranging in size from 4.5 acres to 0.8 acres for a total of 26.4 acres.¹⁰

The proposed site has its problems. It is broken up by three railroad right-a-ways, all in current use. The site has the same transportation problems facing all northside businesses; it is very difficult to access southbound U.S. 131 and westbound Interstate 94. A mostly unwarranted perception of the area being unsafe hangs over the park. The park must compete against established, fully-developed industrial parks that provide proven business locations. The Fort Custer Industrial Park, 18 miles to the east, Portage Commerce Park, and other smaller industrial parks have sites ready for development. Finally, the environmental condition of the park must be fully analyzed before businesses will even consider it.

Nevertheless, the proposed Northside Industrial Park could bring needed employment opportunities to Northside residents. The lot sizes are appropriate for small establishments, the fastest growing and most stable manufacturing segment in the region. The park's focus on manufacturing and warehousing development insures that the labor demand of its future tenants will match the general skill-levels of many of

⁹The Industrial park is sometimes referred to as part two of a revised economic development plan that includes, as part one, a Northside Industrial zone which is bordered by the Conrail tracks to the south and North Street to the north. The primary focus of the industrial zone is to assist existing Northside businesses to renovate and expand their operations.

¹⁰The physical description of the proposed industrial park is taken from the recommended development alternative (Alt. A) as presented in Kingscott Associates Inc. and O'Boyle, Cowell and Blalock, Northside Industrial Area Development Plan, January 1992.

the neighborhood's workforce. The park would eliminate commuting difficulties for neighborhood residents. Finally, the park would generate positive economic spillover effects on the Northside's fragile commercial sector.

Total employment at the park, when fully developed, depends upon both the type of industries it attracts and the lot coverage estimates of industrial buildings. Table 5 shows employment per square foot estimates by industry for facilities under 40,000 square feet in size. Employment per 1,000 square feet varies from a low of 0.4 employees for warehousing to 2.7 employees for electrical machinery. In this study an average ratio of 1.8 employee per 1,000 square feet is used; however, if warehousing or other space-intensive activities dominate the park, this ratio would generate an overestimation of the total employment at the park.

Table 5	
EMPLOYMENT PER SQUARE FEET ESTIMATES	
For Establishment in Structures of Under 40,000 Square Feet	
INDUSTRY	Employees/ 1000 sq. ft.
Food Products	2.4
Apparel	1.8
Furniture	1.4
Paper	1.2
Chemicals	1.0
Plastics	1.8
Leather	2.0
Primary Metals	1.7
Fabricated Metals	1.6
Fab. Structural Metals	1.5
Metal Forging	1.6
Nonelectrical Machinery	1.9
Electrical Machinery	2.7
Transportation Equipment	2.4
Instruments	2.2
Warehousing	0.4

Source: 1992 Harris Industrial Directory.

Lot coverage also varies with the type of industry. Based upon discussions with area developers, we used a building-to-lot coverage ratio estimate of 20 percent.¹¹ Using the above estimates, the park could provide a maximum of 416 new jobs when fully developed, as shown in Table 6.

Table 6 ESTIMATED NEW EMPLOYMENT				
Number of Lots	Acres	Bldg. Size	Emp/1000 sq.ft.	Total Employment
2	0.8	6,970	1.8	25
8	2.0	17,424	1.8	251
1	4.4	38,333	1.8	69
1	4.4	39,204	1.8	71
Total NEW Employment				416

The development path of the park is uncertain. In the following nine scenarios, three separate growth scenarios are combined with three alternative job retention rates. The growth scenarios range from the park reaching only 50 percent of its capacity in 1995, to reaching full capacity. Although it is comfortable to take the medium growth scenario as the most likely, its probability of occurring is no greater than the other two scenarios and all are unknown.

The development paths show alternative rates of employment growth at the park. In addition, an assumption must be made as to what percent of these new jobs are "But For" jobs: jobs that would not be created in the Northside but for the establishment of the industrial park. Even if the park was filled with firms relocating from existing sites in the Northside, we assume that at least 50 percent of the jobs would be new to the Northside.¹² The new jobs could either be generated by new Northside employers moving into the former quarters of the firms that moved into the park, or be generated through expansions of Northside firms that would not have increased their operations, if the park were not available, or represent a retention of jobs that would have been lost without the park.

¹¹ Kingscott Associates and O'Boyle, Cowell and Blalock suggest that, on average, industrial buildings cover 50 percent of lot size, excluding parking. Lot coverage of industrial buildings is further reduced to 20 percent when parking is provided.

¹²The decision to use the three alternatives of "BUT FOR" jobs to represent 50%, 75% or 100% of all jobs generated at the proposed industrial park is arbitrary. It is possible that none of the jobs at the industrial park would be new to the Northside. If all the park's future tenants 1) were previously located in the Northside, 2) would have remained in the Northside without the park and 3) were in buildings that were not reusable, then none of the jobs in the park would be "new" to the Northside.

In the worst case scenario as shown in Table 7, the park reaches only 50 percent of its capacity and only 50 percent of new jobs at the park are "but for" jobs. In this instance the park would attract just over 100 new jobs into the area. In the best case scenario, the park would create or attract 416 new jobs to the Northside.

Table 7			
DIRECT EMPLOYMENT AT PROPOSED PARK IN 1995			
Capacity at the Park in Year 1995			
Percent of Jobs "BUT FOR JOBS"	Low-Growth 50% Capacity	Medium-Growth 75% Capacity	High-Growth 100% Capacity
50% New Jobs	104	156	208
75% New Jobs	156	234	312
100% New Jobs	208	312	416

The proposed park, by itself, will bring limited employment opportunities to Northside unemployed workers, however. The degree to which the park would provide jobs to Northside residents also depends upon the percentage of the park's new jobs that are filled by unemployed Northside residents. The percentage of park jobs filled by Northside residents is likely, absent special efforts, to be close to the percentage of jobs in current Northside businesses that are currently filled by Northside residents. This assumes that the park jobs will be similar in character to the type of jobs currently in the Northside. We informally interviewed a number of Northside businesses. In no cases did we find that more than 5 percent of the current jobs in these businesses were filled by Northside residents. Without other policies, no more than 5 percent of the park jobs would be expected to go to Northside residents.¹³

Under the most optimistic assumption, that the park will reach full capacity in 1995 and that all the jobs are new jobs that would not locate in the area without the park, we estimate that only 21 jobs will be taken by Northside residents (Table 8) based on current hiring practices.

¹³Leslie Papke found in her recent study of existing inner-city enterprise zones in Indiana, "Tax Policy and Urban Development: Evidence from an Enterprise Zone Program" (NBER Working Paper No. 3945), that less than 15 percent of all jobs created went to zone residents.

Table 8			
DIRECT EMPLOYMENT AT PROPOSED PARK IN 1995			
OF THE PROPOSED INDUSTRIAL PARK ON NORTHSIDE RESIDENTS			
(If current hiring practices continue)			
Capacity at the Park in Year 1995			
Percent of Jobs "BUT FOR JOBS"	Low-Growth 50% Capacity	Medium-Growth 75% Capacity	High-Growth 100% Capacity
50% New Jobs	5	8	10
75% New Jobs	8	12	16
100% New Jobs	10	16	21

Currently, nearly 2,000 Northside residents are in the labor force. Even if our neighborhood employment estimates are three times too small, the park would create only 60 jobs, or 3.0 percent of the neighborhood's labor force. The neighborhood's estimated unemployment rate would remain above 22 percent.

City-wide, the net new jobs in the park would generate, at most, an increase of 175 additional jobs for a total city-wide impact of 591 jobs. Table 9 presents the full range of total employment impacts on the city of the proposed park under alternative assumptions. County-wide employment would increase, at most, by 760 jobs. However, the number of indirect jobs generated by the park on the Northside would be minimal. Increased consumption expenditures of the park's employed residents would generate an estimated 3 to 5 new jobs in neighborhood commercial businesses.

Table 9			
TOTAL CITY AND COUNTY EMPLOYMENT IMPACT			
OF THE PROPOSED INDUSTRIAL PARK ON NORTHSIDE RESIDENTS			
Percent of Jobs "BUT FOR JOBS"	Low-Growth 50% Capacity	Medium-Growth 75% Capacity	High-Growth 100% Capacity
50% New Jobs	190	285	380
75% New Jobs	285	428	570
100% New Jobs	380	570	760

In summary, the proposed industrial park alone cannot be expected to solve the unemployment problems facing Northside residents.

An important issue is why such a low percentage of jobs in Northside businesses currently go to Northside residents. Although we have not conducted a scientific survey of this issue, we did ask various Northside businesspersons their perceptions of the problems impeding their hiring of Northside residents. These Northside businesspersons perceived three main "labor skills" deficiencies that hurt some Northside residents' employability: (1) a lack of technical skills, (2) a lack of a sufficiently strong work ethic as evidenced by persons not consistently showing up at work on time and ready to work, and (3) difficulty in getting along with co-workers.

If these unscientific survey findings accurately reflect business perceptions, then one option for increasing the employment of Northside residents is to somehow change these perceptions. Before discussing how this might be done, however, we consider in section V what general findings about anti-poverty policy can be obtained from national research.

SECTION V.

PREVIOUS RESEARCH ON URBAN POVERTY RELATED TO NORTHSIDE PROBLEMS

The discussion above indicates that the proposed Northside Industrial Park, by itself, is unlikely to significantly increase the earnings of Northside residents. What, then, would help? We have no scientific evidence on this question because we have not systematically surveyed Northside residents and their potential employers. But general national research on urban poverty suggests some policy options that should be considered. After reviewing this national research, we summarize these policy options, and suggest a process by which a real plan for helping Northside residents might be developed.

What Does Previous National Research on Urban Poverty Show?

1. The overall economic development of the metropolitan area has strong effects on poverty. A number of studies show that earnings of disadvantaged persons increase, and poverty declines, in metropolitan areas with faster overall employment growth. For example, Bartik (1992) finds that in an MSA with a 10% greater increase in overall employment, the African-American poverty rate will be reduced by 4 points (e.g., from 30% to 26%). Freeman (1991) estimates that a 1 percent reduction in overall MSA unemployment increases the employment to population ratio of African-American young males by 2 to 4 points. Osterman's case study of Boston during the "Massachusetts miracle" indicates that while black poverty rates in Boston and other central cities were roughly comparable in 1980, Boston's black family poverty rate declined dramatically from 1980 to 1988, from 29% to 13%, while black poverty rates increased in other central cities. In a tight local labor market, what previously seemed insurmountable barriers to the employment of the poor can be overcome.

2. Access to jobs matters. Despite the findings of the current study, that Northside employers hire relatively few Northside residents, a number of research studies indicate that African-American earnings are greater when they live in neighborhoods with better access to jobs. Perhaps the best studies of the "spatial access" issue have been done by Ihlanfeldt (1992). Ihlanfeldt focuses on young people living at home with their parents, for whom it is most plausible that their job access is a "cause" of their earnings rather than an effect. He finds that young African-Americans, who live in neighborhoods in which the average travel time to jobs is 5 minutes less, have over a 25% greater probability of being employed. These effects of job access on earnings are probably due not only to easier transportation access to jobs, but also occur because information networks about jobs are likely to be strongest for young people who live in neighborhoods that are close to jobs.

3. Some evidence that enterprise zones can work, although the evidence is mixed. Several studies have shown that enterprise zones -- special tax and service incentives for business investment in poverty areas of central cities -- can increase business investment and employment (L. Papke, 1991; O'hUallachain and Satterthwaite, 1990; Erickson and Friedman, 1989; Rubin and Wilder, 1989; Jones et al, 1985; Dabney, 1991). Other studies, however, conclude that enterprise zones are ineffective (Levitan and Miller, 1992; J. Papke, 1990; U.S. GAO, 1988). These disparate findings are not surprising given that "enterprise zones" are not really one program, but rather a diverse group of state programs, operating with quite different program designs in many different types of poverty neighborhoods.

Whatever the business investment and employment effects of enterprise zones, both experience and logic suggest that only a small proportion of the jobs will go to zone residents without special efforts. Leslie Papke, for example, found that only 15% of Indiana's enterprise zone jobs went to zone residents. The spatial scale of labor markets is surely much larger than the size of the typical enterprise zone neighborhood, in that average commuting distances would include an area much larger than an enterprise zone neighborhood.

4. Job training programs can produce modest earnings gains. A number of studies over the years have shown that training programs for disadvantaged adult women can produce statistically significant, but modest earnings gains -- earning gains per participant of over \$1000 per year are rare. (Bassi and Ashenfelter; Gueron and Friedlander; Greenberg and Wiseman) Recent evidence suggests that JTPA (the Job Training Partnership Act), the current main federally-funded job training program, yields statistically significant earnings gains not only for disadvantaged adult women, but also for disadvantaged adult men. For disadvantaged youth, the only training program that has good evidence of effectiveness is the Job Corps, which is a quite intensive and expensive program.

There is some evidence that earnings effects of training programs for the disadvantaged are greater for more ambitious and expensive programs (Friedlander and Gueron, 1992). However, our knowledge of the comparative effects of high-service versus low-service training programs is limited because no study has rigorously tested the relative effects of these two types of programs in the same local labor market. Such a rigorous study would require experimental assignment of disadvantaged applicants to high-cost or low-cost training programs. To date the experimentally based studies have only analyzed the effects of some particular training program run by some agency in some particular city, compared to a control group that received no agency services.

5. Employment discrimination against African-Americans, particularly African-American young men, is still widespread. Recent studies that have sent matched black and white "testers" -- volunteers pretending to be job applicants, and given similar fictional resumes -- to employers have shown that blacks are still discriminated against by many employers (Fix and Struyk, 1992). A recent interview study of Chicago employers found that many used race as a signal of job applicants' productivity, cooperative attitude, and dependability (Kirschenman and Neckerman, 1991). Race was most important as a signal for jobs for which it was most difficult to measure job applicant quality. Blacks could only overcome these racial preconceptions of Chicago employers by clearly signaling, through speech, dress, and manner, that they did not share what employers believed to be negative lower-class attitudes towards work.

6. Giving African-Americans the freedom to move out of ghettos and into better neighborhoods seems to increase employment rates. As part of a settlement of a discrimination lawsuit, the Chicago public housing authority has since 1976 supported the Gautreaux program, which provides public housing residents with housing subsidies to move to a variety of private housing throughout the Chicago metropolitan area. Exactly where a given Gautreaux participant moves depends largely on what housing unit happens to become available when their name reaches the top of the waiting list. Recent studies indicate that former public housing residents who happened to be provided housing in the Chicago suburbs did significantly better in the labor market than those provided housing in the city of Chicago (Rosenbaum and Popkin, 1991). Interviews with Gautreaux participants suggests that these higher suburban employment rates are due only in part to better suburban job access. Lower suburban crime rates increased the willingness of participants to travel to jobs at night and to feel that their children did not need their constant presence at home. In addition, some participants felt that the better suburban environment gave them a more hopeful attitude towards their future.

SECTION VI

POLICY OPTIONS FOR KALAMAZOO'S NORTHSIDE

Based on this review of national research on urban poverty, the following policy options should be considered for helping bring more Northside residents into the economic mainstream:

1. Continued economic development efforts for Kalamazoo overall. Lowering Kalamazoo's overall unemployment rate would help make it easier to deal with the employment problems of Northside residents. This policy option is already being vigorously pursued by the CEO Council and other groups in the Kalamazoo area and should be supported. But it should be noted that although a stronger Kalamazoo economy would help Northside residents, the experience of other cities suggests that even a stronger local economy would still leave the Northside with very high poverty rates.

2. Efforts by employers, Northside residents, and others to better match Northside residents with employers. As this review reveals, there are a number of complex reasons why inner-city residents who need jobs and employers who need workers are too often not linked up: poor resident access to jobs, lack of skills, counterproductive attitudes of some inner-city residents, and racial discrimination by some employers based either on racial fear or poor information about job applicants. Working on all these problems together would seem to offer the greatest potential for significantly reducing Northside poverty. For Northside residents, programs that would help provide skills, in some cases change attitudes, and in all cases change "signals" to employers about productivity, are important. On the employer's side, more jobs accessible to the Northside, with a commitment by employers to hire Northside residents with demonstrated productivity skills, would help Northside residents and still be economically efficient. A Northside industrial park might be part of this plan, but by no means would be sufficient.

There are, of course, already programs that try to do some of this, such as the JTPA (Job Training Partnership Act) program funded by the federal government. But the evidence of previous national research on training suggests that we should consider programs that provide more intensive services than are encouraged by federal regulations. Such programs may produce more dramatic earnings gains. A more intensive training effort might seek to change more than just specific job skills, and aim at the tougher goal of changing attitudes. To encourage individuals to pursue this intensive training effort, some type of job guarantee upon successful completion of the program might be offered. Finally, for employers to be willing to provide a job guarantee, they must be assured that the program will provide only qualified workers.

3. Improvements in the community environment available to current Northside residents. Individual Northside residents could be significantly helped by housing vouchers that would enable them to live in housing located in a lower-crime, healthier community environment. Such a policy by itself might hurt the Northside by reducing Northside housing demand and population. But if housing vouchers are coupled with aggressive community development initiatives on the Northside, the Northside could attract some current residents who receive housing vouchers, and avoid losing significant segments of the current Northside population. Even without housing vouchers, a program better linking Northside residents with jobs would still face this same problem of retaining successful Northside residents in the neighborhood.

The last two policy options -- a more intensive training program with guaranteed employment, and a housing voucher/community development program --should be viewed as experimental. We do not now have firm "scientific" evidence on how to solve urban poverty, although we have some useful knowledge. Any specific program addressing these two policy options should be designed as an experiment, with provision for rigorous outside evaluation using objective data.

A Process for Developing An Anti-Poverty Program for the Northside

Specific anti-poverty programs to deal with the Northside's problems cannot be developed without more input from those groups who would be affected by these programs: Kalamazoo employers; Northside residents; and housing and training providers. A process for developing specific programs might begin with a series of focus groups to discuss these problems and alternative solutions. For example, a focus group of Northside and other Kalamazoo employers might discuss exactly what they perceive to be the problems impeding the hiring of Northside residents, and what an employment program would have to do for it to succeed in increasing hiring of Northside residents. A focus group of Northside residents might address what they perceive to be the problems impeding the hiring of Northside residents, and what they perceive to be the problems affecting the desirability of the Northside as a community for all income levels. Finally, housing and training providers should be convened in separate focus groups to consider how new housing and training programs might be best designed and coordinated with existing programs.

A community steering committee, with sponsorship from the City of Kalamazoo, and funding from local foundations, might be the appropriate group to convene these focus groups. A staff for this steering committee should ensure that focus groups are provided with adequate information on the issues and policy options, and encourage the focus groups to provide constructive recommendations. After several focus group meetings, additional quantitative information on job skills and job needs might be obtained by two surveys, one of Northside residents and one of potential employers of Northside residents. The steering committee and its staff could then draft an anti-poverty plan for the Northside, which would go through a process of review by focus groups, Northside community groups, the city government, and local foundations, before moving forward with plans for raising the needed funds to implement the proposed plan.

SECTION VII.

CONCLUSIONS

As this report summarizes, the Northside has serious economic problems that appear to be getting worse and good economic growth for Kalamazoo overall is unlikely to solve these problems. Furthermore, the Northside industrial park, even if successfully developed, will provide few jobs for Northside residents without other accompanying policies.

But the evidence does not support the common belief that "nothing works" to solve urban poverty. The poor can be employed if more jobs are available that are accessible to them. Job training efforts can help the poor, particularly if these programs make significant investments per participant.

We have provided a bare outline of an experimental program that would combine some features from the different policies that do appear to help solve urban poverty. This experimental program might involve intensive training efforts, job guarantees for successful program graduates, more jobs on the Northside, and better community options for Northside residents. The hope is that this comprehensive package program might show more success than separate more narrowly defined programs. The outlines of this program must of course be modified and filled in by the various groups interested in the Northside community's future.

There are no guarantees that an experimental Northside anti-poverty program will work. Our suggestion is simply that some such experimental anti-poverty program deserves to be tried. If evaluation after some reasonable time period shows that the program is not working, the program should be modified or terminated. President Franklin Roosevelt some years ago expressed a similar attitude in considering what policies to adopt to deal with the Great Depression:

"The country needs and, unless I mistake its temper, the country demands bold, persistent experimentation. It is common sense to take a method and try it. If it fails, admit it frankly and try another. But above all, try something" (Roosevelt, 1932).

Our suggestion is that our society will only succeed in dealing with urban poverty if we rededicate ourselves to that American spirit of optimism mixed with bold experimentation.