Hidden Unemployment in Chicago
A Look at Worker Discouragement

Nikolas Theodore
Department of Research and Planning
Chicago Urban League

Jodi Piotrowski
University of Wisconsin-Milwaukee

Funding for this research was provided by a grant from
The John D. and Catherine T. MacArthur Foundation
Hidden Unemployment in Chicago
A Look at Worker Discouragement

Nikolas Theodore
Department of Research and Planning
Chicago Urban League

Jodi Piotrowski
University of Wisconsin-Milwaukee

Chicago Urban League
4510 South Michigan Avenue
Chicago, Illinois 60653
773.285.5800

June 1997

Funding for this research was provided by a grant from
The John D. and Catherine T. Macarthur Foundation
Acknowledgements

We would like to thank Cedric Williams of the University of Illinois at Chicago Center for Urban Economic Development for providing the maps used in this report. We would also like to thank Richard Bingham and Ziona Austrian at Cleveland State University and Joe Persky at the University of Illinois at Chicago for their helpful comments on the methodology for estimating worker discouragement rates. We also benefited from the opportunity to present our methodology at the 1995 Great Lakes Economic Development Researchers Conference. Finally, we would like to thank Virginia Carlson and Cynthia Jordan-Hubbard for their assistance on this project.

Chicago Urban League
Research and Planning Department
-4510 South Michigan Avenue
Chicago, Illinois 60653
(773) 451-3590
Joblessness in a Growing Economy

Conventional wisdom suggests that sustained employment growth is a sure-fire way to improve the economic position of unemployed workers, and in particular low-skilled job seekers. The argument is as follows: As the number of jobs in the economy expands, employers quickly exhaust available supplies of job-ready and higher-skilled workers. This leads to labor shortages. Employers respond to labor shortages by filling job vacancies with less-skilled workers. This is accomplished in one of two ways. Either employers redesign job tasks to suit the capabilities of less-skilled workers, or training is provided to enhance workers' skills.

Despite its appeal, this line of thinking may no longer hold. The persistence of high rates of unemployment among African Americans, inner-city residents, and low-skilled workers in good times as well as in bad has led some to conclude that conditions of economic growth are no longer sufficient to improve the economic well being of these workers (Blank, 1997; Bernstein, 1996). In other words, the fortunes of African-American, inner-city, and low-skilled workers appear to be increasingly disconnected from the overall performance of the economy. African-American unemployment rates have remained significantly higher than those of whites, even when controlling for industry and occupation (Theodore and Taylor 1991). Similarly, joblessness among residents of inner-city neighborhoods far exceeds that of residents of other areas (Wilson, 1996; 1987), while the unemployment rate of low-skilled workers is approximately five times greater than that of higher-skilled workers (Blank, 1995). In short, despite signs of expanding employment, many workers do not enjoy the benefits of growth.

Employment conditions for segments of the labor market may be even more bleak than indicated by high unemployment rates. In addition to the joblessness that is reflected in unemployment statistics, other job seekers experience worker discouragement, a form of joblessness that is not captured by official measures. Discouraged workers are those who have discontinued their job search activities because they believe that appropriate
employment cannot be found. Thus, discouragement is understood as a reaction to a job market with insufficient employment opportunities (Odeck, 1978).

Like unemployment, worker discouragement can be expected to be greatest among workers with the fewest employment options. In particular, low-skilled workers and those residing in predominantly African-American, inner-city neighborhoods will likely have high unemployment and high discouragement rates. As William Julius Wilson (1996) has warned, "neighborhoods that offer few legitimate employment opportunities, inadequate job search networks, and poor schools lead to the disappearance of work. That is where jobs are scarce ... many people eventually lose their feeling of connectedness to work ..." (p.52). Worker discouragement is one manifestation of this loss of connectedness. Workers who do not believe that jobs are available or those who do not believe that employers will hire them may eventually give up looking for work and, over time, lose their attachment to the labor market. Wilson goes on to report that many respondents to the Urban Poverty and Family Life Study survey (conducted in Chicago inner-city neighborhoods) were despondent and pessimistic about their chances of success in the job market (p.77). The result was a weakening attachment to work.

This study examines the issue of joblessness in Chicago by presenting a new measure of worker discouragement that can provide a look at this hidden form of unemployment. The next section reviews the current method for calculating unemployment. This is followed by a presentation of the methodology for estimating worker discouragement. The final section examines worker discouragement in Chicago.

To some it may seem peculiar that the problems of joblessness be raised at a time when official unemployment rates are at twenty-year lows. It is our contention that underestimating the extent of joblessness during this period of growth has led to a movement away from important policies and programs in the areas of job training, public aid, and other worker and family supports. While there is a certain comfort in falling unemployment rates, there is still a need for assistance to those who remain out of work.
The Current Approach to Measuring Joblessness

The official unemployment rate is an inadequate measure of employment conditions because it undercounts joblessness. A person is considered unemployed if he or she is out of work, looking for work, and willing to accept a job if one is offered. A person is considered to be looking for work if he or she has been engaged in job search activities during the previous four weeks. If a person is not working but has not been engaged in job search activities, that person is jobless, but not counted as unemployed.

A portion of these jobless persons are discouraged workers. Workers may become discouraged for a number of reasons. A lack of accessible jobs, frequent encounters with discrimination, continued participation in unstable, temporary, or seasonal jobs, and low wages may all lead to worker discouragement. While discouraged workers report multiple reasons for their joblessness, the most common are associated with job market factors (Ondeck, 1973).¹

Changes in the number of discouraged workers follow a cyclical pattern; the number of discouraged workers tends to increase during economic downturns and shrink during recoveries. Consistent with this pattern is the strong positive relationship between unemployment rates and discouragement, especially for workers citing labor market factors as their reason for joblessness (Flaim, 1973; Ondeck, 1978). Changes in discouragement rates over time mirror changes in unemployment rates. However, while this temporal pattern has been found to hold, little is known about the relationship between unemployment and worker discouragement rates among residents of a given neighborhood. It is likely that levels of discouragement in a neighborhood might also parallel unemployment levels. If this is the case, areas of high unemployment will have disproportionately high rates of worker discouragement. In other words, high levels of unemployment will mask even greater levels of joblessness.

¹In cases where labor market factors were not cited, personal factors such as age problems, skill or education deficiencies, or other personal handicaps were given as the reason for discouragement.
Using data from the 1990 Census, the following section constructs a measure of worker discouragement and tests the hypothesis that discouragement rates are positively correlated with unemployment rates.

**Estimating Worker Discouragement**

In an effort to better measure employment conditions, we have constructed an estimate of worker discouragement using data from the Public Use Microdata Sample (5% sample) of the 1990 Census.

The Census provides three labor force participation variables -- employed, unemployed, and not in the labor force. The definitions of these variables follow usual conventions. Persons who are considered employed are "at work" during the reference week or "with a job but not at work" during that week. The unemployed are persons over the age of 16 who are neither "at work" nor "with a job but not at work"; and were looking for work during that last four weeks; and available to take a job. Those not in the labor force include persons over the age of 16 who are not employed, unemployed, or members of the U.S. Armed Forces.

To estimate the number of discouraged workers, we begin with persons who are not in the labor force. Persons with one or more of the following "reasons" for not working or seeking work are then excluded:

1. The person has a disability or work limitation status that prevents working.
2. The person is enrolled in school.
3. The person is of retirement age (65 years old).
4. The person has children under the age of six.
5. The person lives in a household with an income of more than $25,000.
6. The person is in the armed forces.

The remaining persons are considered discouraged workers.

Worker discouragement rates are positively correlated (p < .001) with unemployment rates within sub-areas of Chicago. In other words, as unemployment rates increase, so do rates of worker discouragement.
Worker Discouragement in Chicago

*Chicago and Suburban Cook County*

The 1990 unemployment rate of workers ages 25-65 in Chicago was 6.2 percent (Table 1). The rate among African Americans is significantly higher at 9.5 percent. It is estimated that an additional 9.1 percent of workers in Chicago are discouraged workers. Among African Americans this figure is also higher at 11.9 percent. Unemployment and worker discouragement rates in suburban Cook County are considerably lower than those in Chicago. Lower rates are found for all workers and for the four racial/ethnic groupings shown in Table 1. The unemployment rate among workers ages 25-65 in suburban Cook County is 2.6 percent while the discouragement rate is 3.5 percent. The combined jobless rate for suburban workers ages 25-65 is 6.1 percent while in Chicago it is 15.3 percent.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Labor Force Status</th>
<th>Persons Ages 25 to 65</th>
<th>Chicago and Suburban Cook County</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All</td>
<td>Black</td>
<td>White</td>
</tr>
<tr>
<td><strong>Chicago</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not in Labor Force</td>
<td>21.4%</td>
<td>25.9%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Employed</td>
<td>63.3%</td>
<td>52.5%</td>
<td>72.1%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>6.2%</td>
<td>9.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Discouraged</td>
<td>9.1%</td>
<td>11.9%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Total Persons</td>
<td>1,433,658</td>
<td>525,909</td>
<td>605,514</td>
</tr>
<tr>
<td><strong>Suburban Cook County</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not in Labor Force</td>
<td>19.5%</td>
<td>19.3%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Employed</td>
<td>74.2%</td>
<td>69.8%</td>
<td>74.8%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>2.6%</td>
<td>5.9%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Discouraged</td>
<td>3.5%</td>
<td>4.8%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Total Persons</td>
<td>1,260,990</td>
<td>116,802</td>
<td>1,029,507</td>
</tr>
</tbody>
</table>
Sub-City Areas

Unemployment and worker discouragement rates vary widely within the city of Chicago. Among workers ages 25-65, areas with low rates of worker discouragement (3 to 6 percent) are found on the north, northwest, and southwest sides of Chicago (Map 1). These areas also have the lowest unemployment rates. The highest levels of worker discouragement among workers ages 25-65 are found in areas with high unemployment. Areas on the south and west sides of the city have discouragement rates of 11 to 18 percent. Not surprisingly, these areas also have high concentrations of unemployed residents.

Young Adults

Young adults (ages 20-24) often experience difficulties in the labor market as reflected by unemployment rates that are higher than similarly situated adult workers. Long unemployment spells are especially common among workers with little work experience. Because young adult workers are prone to lengthy periods of unemployment, it is no surprise that discouragement rates among these workers tend to be higher than those for the overall labor force. As was found with adult workers, rates of discouragement are highest in areas of high unemployment (Map 2). Discouragement rates for young adults in Chicago range from about 3 percent to more than 22 percent.

Youth

There is evidence that significant differences between worker discouragement rates of African-American and white youth exist and that the higher discouragement rates of African-American teenagers may be a response to inadequate employment opportunities in the areas in which they live (Williams, 1984). Because teenagers tend to live with their parents, have school responsibilities, and depend on public transportation, the labor markets of youths are typically centered around the home. Consequently, if teenagers live in areas with few employment opportunities, the chances that they will be jobless will be higher. Discouragement rates for 16-19 year olds in Chicago are strongly correlated with unemployment rates (p < .001). High youth discouragement rates are found in areas where there is a concentration of unemployment which suggests a strong link between
discouragement and the lack of employment opportunities (Map 3). Discouragement rates of more than 25 percent are found in several south and west side areas. When combined with high unemployment rates, jobless rates for teenagers in these areas exceed 50 percent.
Worker Discouragement and Unemployment
Workers Ages 25-64
Chicago

Unemployment Rate
- < 10%
- 10% - 15%
- > 15%

Mapping by
UIC Center for
Urban Economic Development

Percentages reflect the rate of worker discouragement.
Worker Discouragement and Unemployment
Workers Ages 20-24
Chicago

Unemployment Rate
- < 10%
- 10% - 15%
- > 15%

Mapping by
UIC Center for
Urban Economic Development

Percentages reflect the rate of worker discouragement
Worker Discouragement and Unemployment
Workers Ages 16-19
Chicago

Unemployment Rate
- < 10%
- 10% - 15%
- > 15%

Mapping by
UIC Center for
Urban Economic Development

Percentages reflect the rate of worker discouragement
Conclusion

Undercounting joblessness is of concern because much of its impact is borne by particular segments of the labor market. African Americans, low-skilled workers, and inner-city residents are more likely to be without work, even when the economy is expanding. This has led to the conclusion that there is racial bias in the calculation of unemployment rates. Estimates of joblessness in predominantly African-American, inner-city neighborhoods are understated by official statistics because these rates ignore the large numbers of discouraged workers living in these neighborhoods. This issue was raised in a study by the Chicago Urban League two decades ago (Fox and Szatan, 1977). At the time, the authors noted that official labor market statistics "systematically underplay the economic ills of inner-city minority areas." The authors argued that undercounting joblessness fueled decisions to redirect resources from these areas.

Hidden unemployment in the form of worker discouragement is the result of a labor market that does not provide a sufficient number of job opportunities for low-skilled workers (Carlson and Theodore, 1995), particularly those living in predominantly African-American, inner-city neighborhoods. Large numbers of workers who feel disconnected from the job market are not only found during recessions. Even during periods of economic growth, a substantial portion of discouraged workers reported little contact with the job market during the preceding year (Flaim, 1984). A lack of appropriate employment opportunities has led to rising poverty rates at the same time that overall employment is expanding (Blank, 1997). However, issues of inadequate job availability and low skill levels among inner-city residents have taken a back seat to behavioral explanations of inner-city poverty. Again, inattention to the structural factors that cause joblessness has created a policy environment where calls to eliminate expenditures for anti-poverty programs receive broad support.
References


____ (1987), The Truly Disadvantaged: The Inner-City, the Underclass, and Public Policy, Chicago: University of Chicago Press.
Chicago Urban League
Research and Planning Department
Advisory Committee

Chair
Paul Kleppner
Northern Illinois University

Timuel Black
Professor Emeritus
Northwestern University
Frank Cassell
Northwestern University
Michael Dawson
University of Chicago
Cedric Herring
University of Illinois at Chicago
Dan Lewis
Northwestern University
Roslyn Lieb
Schaefer, Rosenwein & Fleming
Theodoric Manley
DePaul University
William McCready
Northern Illinois University

Aldon Morris
Northwestern University
John Pelissero
Loyola University
Sam Rosenberg
Roosevelt University
Richard Taub
University of Chicago
Marta Tienda
University of Chicago
William J. Wilson
Harvard University
Ken Wong
University of Chicago
Chicago Urban League
Board of Directors

Officers
Chairman
Jacob D. Dickens
Vice Chairs
Edward G. Gardener
James R. Kackley
Leo F. Mullin
James J. O'Connor
William A. Osborn
Secretary
John W. Rogers, Jr.
Assistant Secretary
Clyde E. Proctor
Treasurer
Barbara L. Bowles
Member at Large
Charles A. Tribbett III
President and CEO
James W. Compton

Directors
Lascelles Anderson, Ph.D.
Andrew C. Barrett
Frank L. Bixby
Barbara L. Bowles
Frank B. Brooks
James L. Buckner, D.D.S.
Thomas J. Burrell
Joseph A. Cari, Jr.
Anthony Chaitin
David E. Chambers, Jr., Ph.D.
Michelle L. Collins
James W. Compton
Dolores E. Cross, Ph.D.
Jacob D. Dickens
Edward G. Gardner
J. Bruce Hasch
Melvin C. Hopson
George E. Johnson
James R. Kackley
Paul Kleppner, Ph.D.
Lester H. McKeever, Jr.
Leo F. Mullin
James J. O'Connor
Stuart I. Oran
Sid Ordower
William A. Osborn
Myron J. Resnick
John W. Rogers, Jr.
Robert T. Simpson, Jr.
Nettie F. Smith
Richard A. Stein
Charles A. Tribbett III
William J. Wilson, Ph.D.
James L. Wright