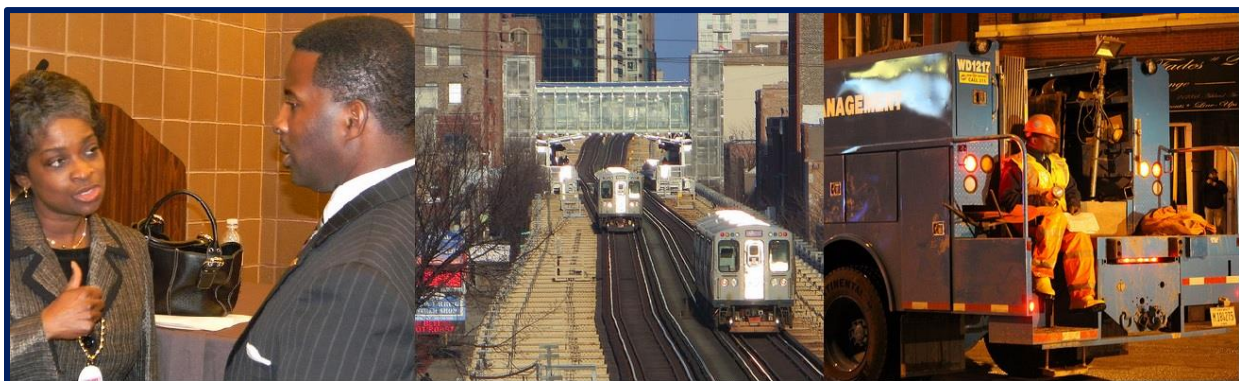


POLICIES TO REDUCE AFRICAN-AMERICAN UNEMPLOYMENT



Investments in Education, Infrastructure, Public Employment, and Housing

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February 6, 2017

Executive Summary

The City of Chicago is experiencing extremely high rates of African-American unemployment compared to the rest of the nation. This report, conducted by researchers at the Illinois Economic Policy Institute and the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign, seeks to understand the causes of high African-American unemployment in Chicago and other urban areas across the United States.

The following public policies and economic phenomena make a difference in lowering the African-American unemployment rate:

1. **A lower overall unemployment rate:** a one percentage-point decrease in the overall unemployment is statistically associated with a 1.3 percentage-point drop in the African-American unemployment rate.
2. **A higher state and local government share of total employment:** a one percentage-point increase in the share of workers employed by a state or local government unit is statistically associated with as much as a 0.5 percentage-point decrease in the African-American unemployment rate.
3. **A higher share of commuters using public transportation:** a one-percentage point increase in the share of commuters taking public transportation to work is statistically associated with about a 0.1 percentage-point drop in African-American unemployment.
4. **A higher share of African Americans with bachelor's degrees:** raising the share of African Americans that have at least a bachelor's degree by one percentage point is statistically associated with as much as a 0.5 percentage-point decrease in the African-American unemployment rate.
5. **Relatively lower local homeownership costs:** a one percent decrease in average homeownership costs is statistically associated with about a 0.1 percentage-point decrease in the local African-American unemployment rate.
6. **A lower reliance on local property taxes to fund an adequate public education:** unequal education funding contributes to an inequitable education for people of color, leading to lower rates of high school completion and college attendance. Replacing the state's current Foundation Level scheme for funding schools with an Evidence-Based Education Funding model would improve the educational outcomes of African American.
7. **Enforcement of prohibitions against racial discrimination in employment practices:** the state should help employers develop tools to understand the equity effects of employment decisions.

Other policies and phenomena have no discernible impact on African-American unemployment in urban counties. As examples, "right-to-work" laws, higher incarceration rates, and lower property tax rates all have no statistical effect on African-American unemployment. There is also no evidence that foreign-born workers "take" jobs away from African Americans in urban counties.

To reduce African-American unemployment, the Chicago area should implement policies and programs related to the factors that actually make a difference.

- Boosting public sector employment provides middle-class job opportunities for African Americans who are otherwise more likely to fall below the poverty line.
- Investing in public transportation lowers the costs of *going* to work and improves African-American access to positions all over the city.
- Investing in the educational outcomes of young African Americans supports both workers and employers.
- Relaxing zoning laws can reduce the costs of homeownership, particularly for African-American families. In addition, a \$15 minimum wage would lower the *relative* cost of homeownership for the lowest-earning workers.
- Policies that improve overall economic conditions in Chicago would attract new workers and businesses to the city. Both economic data and surveys of corporate executives demonstrate that the best way to achieve this is by investing in worker skills and physical infrastructure.

Voters and elected officials must consider the merits of local proposals to reduce African-American unemployment. Effective policies that invest in workers, invest in public transit, bolster public sector employment, and lower the relative cost of homeownership can facilitate good, middle-class jobs for African Americans who face considerable structural barriers. The City of Chicago, Cook County, and the State of Illinois should all take steps to achieve these goals.

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Section 1: Background Information

Introduction

Effective public policies can improve labor market efficiency. Policies designed to encourage people to look for work, create job opportunities, make it easier for people to get to work, and help people become qualified to work are all important in determining the success of a local economy. While labor market policies cannot produce equal outcomes across the board, they can help to provide equal access and equal opportunities for workers of all demographic backgrounds to work, to thrive, and to achieve the American Dream.

One of the persistent labor market problems facing residents, businesses, and policymakers in the United States has been the high unemployment rate of African Americans. The African-American unemployment rate has consistently been twice the equivalent rate for white workers over the past six decades (Desilver, 2013). In addition, the black-white wage gap is now larger today than it was in 1979. In 2015, white workers made 26.7 percent more than black workers on average, up 8.6 percentage-points from the comparable 1979 level (18.1 percent). Wage and employment gaps are rising primarily due to discrimination and growing inequality overall in the national economy. Wilson and Rodgers (2016) report that discrimination accounted for 32 percent of the increase in the black-white wage gap for new male entrants into the workforce from 2007 through 2015. Overall national inequality accounted for 29 percent of the widening racial inequality for men. Similarly, discrimination accounted for 45 percent of the rise in the black-white wage gap for women from 2007 through 2015, while growing national inequality accounted for another 13 percent (Wilson & Rodgers, 2016, Table 2). Andrew Wells, director of workforce development for the Chicago Urban League claims that hiring discrimination plays a “fairly big role” in high unemployment rates (Elejaldre-Ruiz, 2016).

This report, conducted by researchers at the Illinois Economic Policy Institute and the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign, seeks to understand the causes of high African-American unemployment in urban areas across the United States. The study investigates urban counties with a high concentration of African Americans in the labor force to assess labor market policies and economic phenomena that may or may not influence the black unemployment rate. Section 1 provides background information on African-American employment rates, especially in Illinois, and includes a review of recent research. Section 2 then evaluates how strongly individual policies or economic variables correlate to lower African-American unemployment rates, without controlling for other factors. Section 3 subsequently analyzes the unique and independent effect that each variable has on black unemployment, ultimately ascertaining the economic items that make a statistical difference. Finally, Section 4 concludes by recapping key findings and offering implications for the Chicago area.

Explanation of the Unemployment Rate

The official unemployment rate is the number of unemployed residents as a percent of the civilian labor force. The civilian labor force is defined as the number of employed persons plus those who do not have a job but want and are looking for one. The unemployment rate is thus ascertained by dividing the unemployed by both the employed and the unemployed. The rate excludes persons who are below age 16, incarcerated criminals, and all personnel on active military duty.

The Bureau of Labor Statistics (BLS) from the U.S. Department of Labor publishes five measures of “labor underutilization” in addition to the official unemployment rate. The BLS also has rates based on duration of unemployment (15 weeks or longer), job losers and workers with temporary jobs, and discouraged workers who have stopped looking for a job. The fifth measure includes “persons marginally attached to the labor force,” who are neither working nor looking for work but indicate that they want and are available for a job and have looked for work at some point in the past 12 months. The sixth measure, simply called U-6, includes underemployed workers and is the most comprehensive unemployment rate (BLS, 2015). All six measures of “labor underutilization” are highly correlated with one another.

African-American Unemployment in Illinois

Recent data suggests that the State of Illinois and the City of Chicago are experiencing extremely high African-American unemployment rates. In the beginning months of 2016, African Americans across the United States experienced an unemployment rate of 9.0 percent (BLS, 2016). However, in Illinois, black unemployment rate was 14.1 percent, the highest

of all 50 states (EPI, 2016). African-American unemployment remains about 2 percentage points above pre-recession levels in Illinois (Progress Illinois, 2016). Moreover, the Chicago-Naperville-Elgin area is among the lowest-performing metropolitan areas by racial employment and income equality. The Chicago area ranks 65th out of 70 urban areas for black-white unemployment equality and 62nd out of 70 for black-white income equality (National Urban League, 2016).

Unemployment is especially high among young African Americans in Chicago. An estimated 39.5 percent of all young African Americans ages 20 to 24 years old in Chicago were both jobless and out of school in 2014. This jobless and out of school rate for young African Americans was six times higher than the equivalent for young whites in Chicago (6.3 percent). Moreover, the joblessness and out of school rates for African Americans in New York City (27.3 percent) and Los Angeles (29.3 percent) were significantly lower than Chicago (Córdova et al., 2016).

African-American unemployment is high in many other Illinois cities. A recent analysis finds the top 10 American cities with the worst racial inequality are all located in the Midwest, indicating that socioeconomic problems are not specific to Chicago. However, four of the cities are in Illinois: Kankakee, Peoria, and Rockford in addition to Chicago. In 2014, the African-American unemployment rate was 20.6 percent in Kankakee, 16.5 percent in Peoria, and 28.9 percent in Rockford. In all three cities, the median income for black households was less than half of the median income for white households (Frohlich & Stebbins, 2015).

Using information from the *Current Population Survey Outgoing Rotation Groups* conducted by the U.S. Census Bureau and reported by the Center for Economic and Policy Research, Figures 1 and 2 display data on African-American unemployment in Illinois as a whole (CEPR, 2016). From 2013 through 2015, the African-American cohort with the highest unemployment rate was young workers (24.3 percent). An estimated 33,500 African Americans between the ages of 18 and 24 were unemployed across Illinois. African-American workers aged 25 to 34 had the second-highest unemployment rate (14.3 percent), with about 28,700 of these individuals out of work and looking for a job in the state. The African-American age group with the lowest unemployment rate was individuals between the ages of 45 and 54, at 10.0 percent (Figure 1).

FIGURE 1: African-American Unemployment Rates in Illinois by Age, 2013-2015

Age Group	African-American Unemployment Rate	African Americans Unemployed
18-24 Years Old	24.3%	33,500
25-34 Years Old	14.3%	28,700
35-44 Years Old	12.7%	23,900
45-54 Years Old	10.0%	17,900
55+ Years Old	11.4%	17,500

Source(s): Authors' analysis of CEPR, 2016. Unemployed African-American estimates are rounded to the nearest hundred.

FIGURE 2: African-American Unemployment and Outcomes in Illinois, Top 10 Industries, 2013-2015

Illinois Industry	African Americans in the Labor Force	African Americans Unemployed	African-American Unemployment Rate	Average Wage for African Americans
Educational and Health Services	223,100	20,500	9.2%	\$20.68
Wholesale and Retail Trade	118,400	14,000	11.8%	\$13.77
Professional and Business Services	95,200	22,600	23.8%	\$20.92
Transportation and Utilities	88,800	8,800	9.9%	\$19.68
Leisure and Hospitality	86,000	15,500	18.0%	\$12.63
Manufacturing	61,400	6,400	10.5%	\$19.54
Public Administration	47,100	3,300	7.1%	\$25.25
Other Services	44,100	4,700	10.6%	\$15.97
Financial Activities	43,200	600	1.5%	\$27.60
Construction	25,700	8,800	34.0%	\$19.10

Source(s): Authors' analysis of CEPR, 2015. Estimates of African Americans in the labor force and unemployed are rounded to the nearest hundred.

Figure 2 breaks down African-American unemployment by the top 10 industries of black employment in Illinois (CEPR, 2016). From 2013 through 2015, the industries with the highest African-American unemployment rates were construction (34.0 percent), professional and business services (23.8 percent), and leisure and hospitality (18.0 percent). The industries with the lowest African-American unemployment rates were financial activities (1.5 percent), public administration (7.1 percent), and educational and health services (9.2 percent). However, over 20,000 African Americans previously employed in

educational and health services were unemployed. Perhaps most concerning is that there were more than 70,000 African Americans unemployed in middle-class industries paying black workers between \$19 an hour and \$25 an hour in Illinois.

Brief Review of African-American Unemployment

African-American workers in the United States experience disproportionately higher unemployment rates than their counterparts of all other racial and ethnic backgrounds. The Bureau of Labor Statistics at the U.S. Department of Labor reports that African Americans suffer from a higher unemployment rate (8 percent) than white workers (4 percent). The rate of joblessness is also significantly higher than the average for all adult men (5 percent) and adult women (4 percent) (BLS, 2016). In addition, unemployment levels often rise for African-American workers even while falling for white and Latino individuals (Labor Center, 2012).

Young African-American men in particular have higher unemployment rates and lower incomes than young white men. Kuehn (2013) finds that younger workers face greater challenges in the labor market than their older counterparts. Not only do young African-American men experience higher unemployment rates than older black men, but they also experience higher rates of joblessness than their white and Latino counterparts of the same age (Kuehn, 2013).

Economic research also finds that African Americans have lower employment rates even after taking level of educational attainment into account. Wilson (2015) reveals that the black unemployment rate is nearly twice the white unemployment rate regardless of educational attainment. At each level of education, African Americans have unemployment rates that are the same or higher than lesser-educated white workers. For example, from December 2014 through November 2015, approximately 7.4 percent of African Americans with some college experience were unemployed compared to just 4.6 percent of whites with only a high school diploma and 6.9 percent of white workers without a high school diploma (Wilson, 2015). The education disparity between white and black Americans has been corroborated in many other recent studies (Kuehn, 2013; DOL, 2012; Weller & Fields, 2011).

Furthermore, African-American workers are particularly vulnerable to economic downturns. There is considerable evidence that African Americans are the “first fired” as the business cycle weakens and falls into recession (Couch & Fairlie, 2008). A recent study by the Center for Economic and Policy Research (CEPR) reports that African Americans were disproportionately affected by the disemployment effects of the Great Recession (Bucknor, 2015). Although young black Americans are graduating from high school and college at a higher frequency than ever before, African Americans overall continue to face lower employment rates than whites in spite of their similar levels of educational attainment. Today, the employment gap between black and white workers is wider than its pre-recession level. In fact, the share of college-educated African Americans with a job has fallen by 6.9 percentage points since the Great Recession while the employment rate of college-educated whites has declined by only 2.6 percentage points (Bucknor, 2015). The economic consequences of the Great Recession *continue* to negatively impact employment opportunities for African-American workers.

In 2015, a report by the Joint Economic Committee of the United States Congress noted that “[h]igher rates of joblessness translate into lower income, higher poverty rates, and slower wealth accumulation for African American households” (JEC, 2015). The report finds that the median income of African-American households is just \$34,600, which is nearly \$24,000 lower than the median income for white households. About one-in-four African Americans are impoverished (27.2 percent) compared to about one-in-ten white individuals (9.6 percent). Finally, white households also have 13 times more wealth than their African-American counterparts. High African-American unemployment relative to other racial and ethnic groups is a reflection of broader economic challenges facing black communities across America.

There are structural barriers to full employment for African-Americans in the United States. African-Americans have been severely impacted by job losses in both the manufacturing sector and in state and local governments (Weller & Fields, 2011). Over the ten-year period from 2006 through 2015, an estimated 10.9 percent of all U.S. workers were African American. Concurrently, 11.7 percent of all industrial production workers were African American, meaning that black workers populate blue-collar manufacturing jobs at higher rates than individuals of other racial or ethnic identifications.¹ As manufacturing jobs have been lost, outsourced, and automated, African-American workers have tended to be the “first fired.” Similarly, as state

¹ Authors’ analysis of 2014 American Community Survey 1-Year Estimates by the U.S. Census Bureau (Ruggles et al., 2015).

and local governments make budget cuts, African Americans are disproportionately affected because public sector job opportunities have been one of the clearest pathways into the middle class for black Americans (Weller & Fields, 2011).

Race-based discrimination is another likely structural challenge. Hamilton, Austin, and Darity (2011) find that labor market discrimination excludes many African-American men from high-wage jobs. After controlling for educational attainment, their research finds that 87 percent of all U.S. occupations are racially segregated. A gap in “soft skills,” such as interpersonal skills, is also not a cause of racial employment disparities. After controlling for other observable factors that could possibly cause employment differences, the authors conclude that discrimination still exists in the U.S. labor market.

To summarize, economic studies generally find that African Americans suffer from higher unemployment rates than white and Latino workers and that African Americans with higher levels of educational attainment still face higher unemployment rates than less-educated whites. African Americans are particularly vulnerable to economic downturns, to manufacturing production job losses, and to cuts in state and local government spending. Unemployment levels are part of a broader set of economic challenges facing African-American communities across the United States.

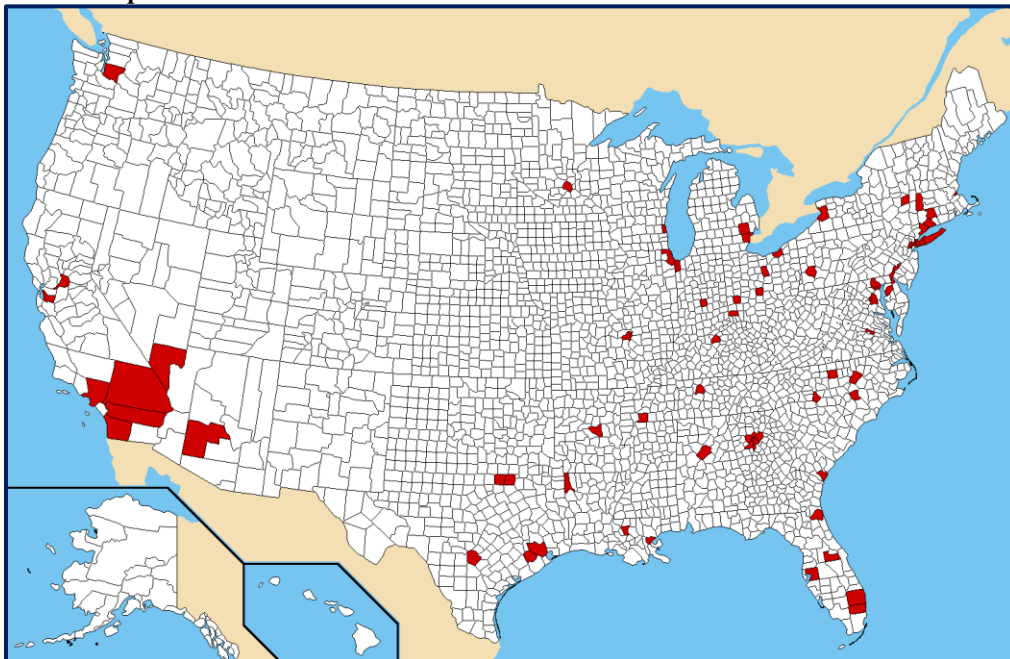
Data, Methodology, and Limitations

This report investigates county-level data on the unemployment rate and its relationship with 16 other variables. Data are collected from three sources:

1. The 2014 *American Community Survey* 1-Year Estimates by the U.S. Census Bureau (Ruggles et al., 2015);
2. Average property taxes as a percent of home values for 2007 through 2011 by the Tax Policy Center (CNN, 2014);
3. The 2014 jail incarceration rate per 100,000 county residents by the Vera Institute of Justice (Vera, 2015).

All counties in the *American Community Survey* with at least 50,000 African-Americans in the labor force are included in the analysis. In total, 76 counties had enough individuals who reported to the Census Bureau that they were African-American alone and no other race. Pictured in Figure 3, over 9.13 million African-American labor force participants reside in these 76 urban counties, accounting for 48.4 percent of all African Americans in the labor force across the United States – which has over 3,000 counties (Ruggles et al., 2015). Given that nearly half of all employed and unemployed African Americans live in the 76 counties analyzed, many of the conclusions reached in this report to reduce African-American unemployment in urban areas are likely applicable to rural communities and mid-sized cities, such as Peoria, IL and Rockford, IL.

FIGURE 3: Map of Counties with At Least 50,000 African American in the Labor Force, 2014



Source(s): Ruggles et al., 2015.

This report primarily uses two methods to understand the relationship of a given public policy or economic phenomenon with the African-American unemployment rate in an urbanized county. First, in Section 2, correlation coefficients are calculated and linear graphs are plotted to identify general associations, uncontrolled for other factors. Correlation coefficients range from -100 percent to +100 percent. A -100 percent correlation indicates that the two variables have a perfectly negative relationship with one another, while a +100 percent correlation implies a perfectly positive relationship. A correlation of 0 percent would mean that the variables have no relationship to one another. The following parameters, in accordance with standards of social science in both Turkmen (2013) and Cohen (1992), are used to determine the “strength” of a relationship between two variables when evaluating correlation coefficients.

- 0.0 to 9.9 percent: No relationship;
- 10.0 to 29.9 percent: Weak relationship;
- 30.0 to 49.9 percent: Moderate relationship;
- 50.0 percent or greater: Strong relationship.

Section 3 uses two ordinary least squares (OLS) regression models to parse out the actual and unique impact of a particular variable on the African-American unemployment rate. This technique describes “how much” a factor is responsible for a higher or lower unemployment rate.

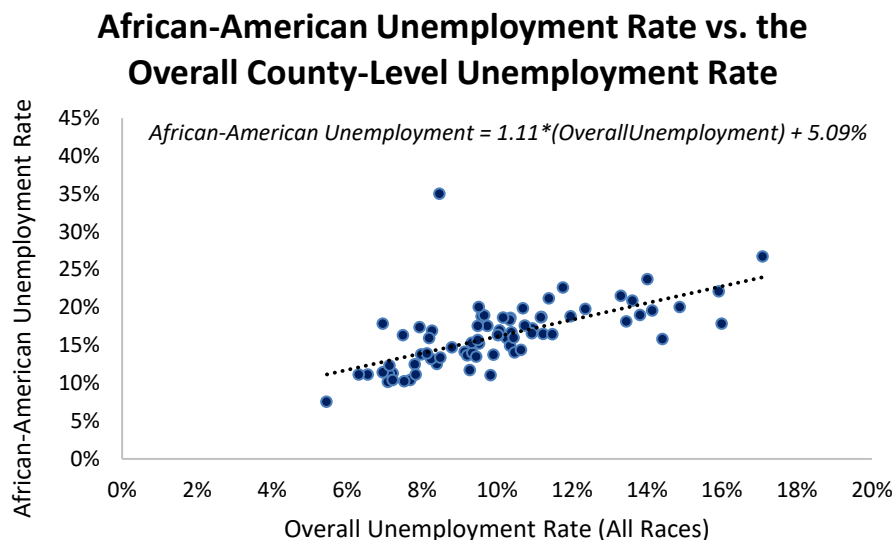
There are limitations to this analysis. First, the report focuses on the unemployment rate, which is only one indicator of labor market performance and societal well-being. Second, the study only investigates data from a single year: 2014. While the analysis can help explain current (i.e., *levels*) differences in the African-American employment rate between U.S. counties with at least 50,000 African Americans in the labor force and can estimate effects of policy changes, it cannot predict how each variable changes the unemployment rate over time (i.e., *trends*). For instance, the report can establish whether the “manufacturing share of employment” has an impact on reducing present African-American unemployment rates but cannot determine what effect more manufacturing jobs would have on unemployment trends ten years from now. Finally, there are only 76 observations in the analysis: The 76 counties with at least 50,000 African Americans in the local labor force. The small sample size could limit the conclusions that can be drawn from statistical analysis. However, the 76 counties afford economists and labor researchers with laboratories in which different combinations of public policies operate. In addition, the sample of 76 U.S. states is larger than the sample of OECD member countries (N= 34) and U.S. states and Washington, D.C. (N= 51) that economists and researchers often study to understand policies that support employment and reduce unemployment. Since the counties are all part of an integrated national economy with a unified federal government, this analysis also implicitly controls for national “fixed effects.”

Section 2: Introduction to Variables and Evaluation of Correlation Coefficients

The Overall Unemployment Rate for All Races

In the 76 counties analyzed with over 50,000 African Americans in the labor force, the black unemployment rate is highly correlated with the overall unemployment rate. There is a strong relationship of 63.4 percent between the African-American unemployment rate in a county and that county's overall unemployment rate for workers of all racial and ethnic backgrounds (Figure 4). However, the simple relationship indicates that the African-American unemployment rate increases by 1.11 percentage points for every 1 percentage-point rise in the overall local unemployment rate. The implication from this correlational analysis is that local labor market conditions are significant determinants of the African-American unemployment rate, but that African Americans are disproportionately affected when the unemployment rate goes up – which provides additional evidence for the notion that black workers are the “first fired” during economic downturns (Couch & Fairlie, 2008).

FIGURE 4: African-American Unemployment Rate and Overall Unemployment in Urban Counties, 2014



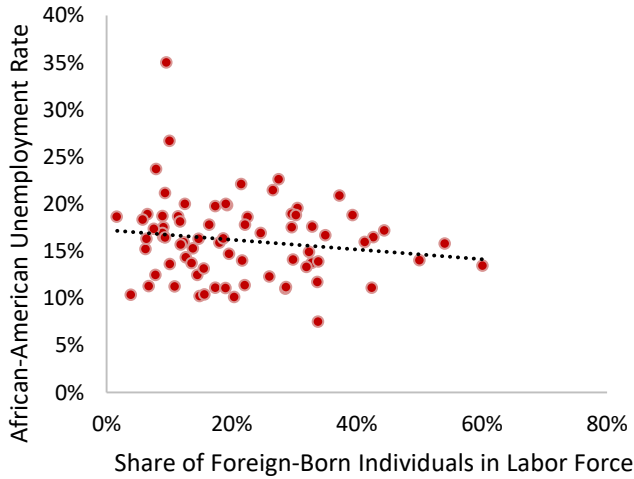
Demographics

One proposed explanation for high African-American unemployment has been that an increase in the labor force participation of certain groups causes employment losses for African-American workers (Figures 5 through 8). For example, African-Americans might be more sensitive to an influx of immigrants than other workers (Belsie, 2007). However, recent empirical research finds “little evidence that immigration significantly alters the overall employment levels of native-born workers” and has a positive effect on the U.S. economy (Blau & Mackie, 2016). The study finds that negative impacts are only likely to occur for native-born workers who have not completed high school. On the other hand, immigration translates into more people consuming goods and services, which can increase employment in local economies. These positive and negative effects could lead to Figure 5, which illustrates a weak relationship between lower African-American unemployment rates and a larger share of foreign-born individuals in the labor force (-15.5 percent), even without controlling for education.

Results are generally similar for other demographic groups. There is a weak relationship between African-American unemployment rates and the share of women in the labor force (23.5 percent), indicating that an influx of women into the labor market is unlikely to displace African-American workers. There is also a weak relationship between African-American unemployment rates and the share of African Americans in the labor force (0.4 percent). Thus, counties that are “blacker” do not tend to experience higher unemployment rates within the black community. In addition, there is a weak relationship between African-American unemployment rates and the share of military veterans in the local labor market (-11.9 percent). As soldiers return to civilian life and seek employment opportunities, there is no apparent effect on the unemployment rate of African-American workers.

FIGURE 5: African-American Unemployment Rate and the Foreign-Born in Urban Counties, 2014

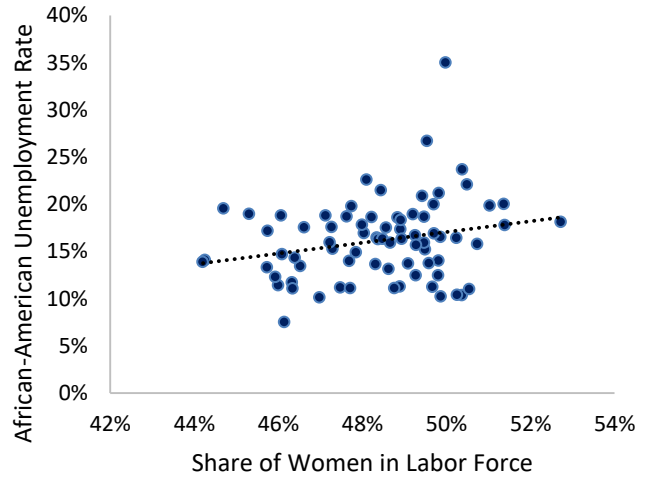
African-American Unemployment Rate vs. Share of Foreign-Born Individuals in the Labor Force



Source(s): Ruggles et al., 2015.

FIGURE 6: African-American Unemployment Rate and Women in Urban Counties, 2014

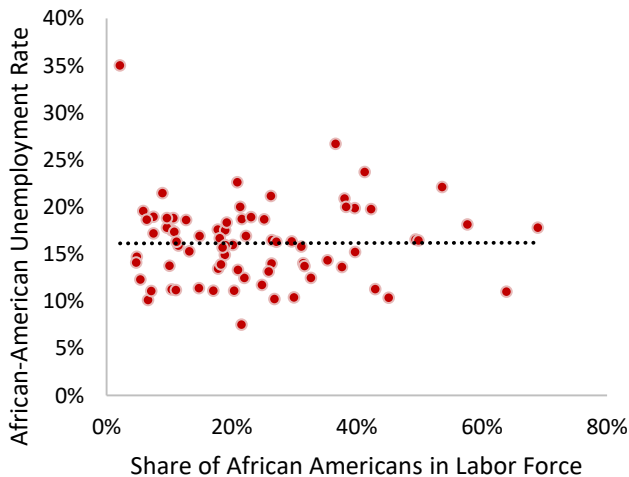
African-American Unemployment Rate vs. Share of Women in the Labor Force



Source(s): Ruggles et al., 2015.

FIGURE 7: African-American Unemployment Rate and African Americans in Urban Counties, 2014

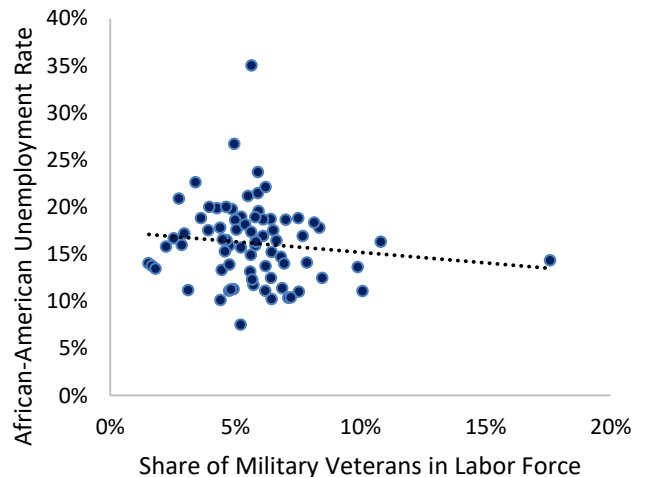
African-American Unemployment Rate vs. Share of African Americans in the Labor Force



Source(s): Ruggles et al., 2015.

FIGURE 8: African-American Unemployment Rate and Veterans in Urban Counties, 2014

African-American Unemployment Rate vs. Share of Military Veterans in the Labor Force



Source(s): Ruggles et al., 2015.

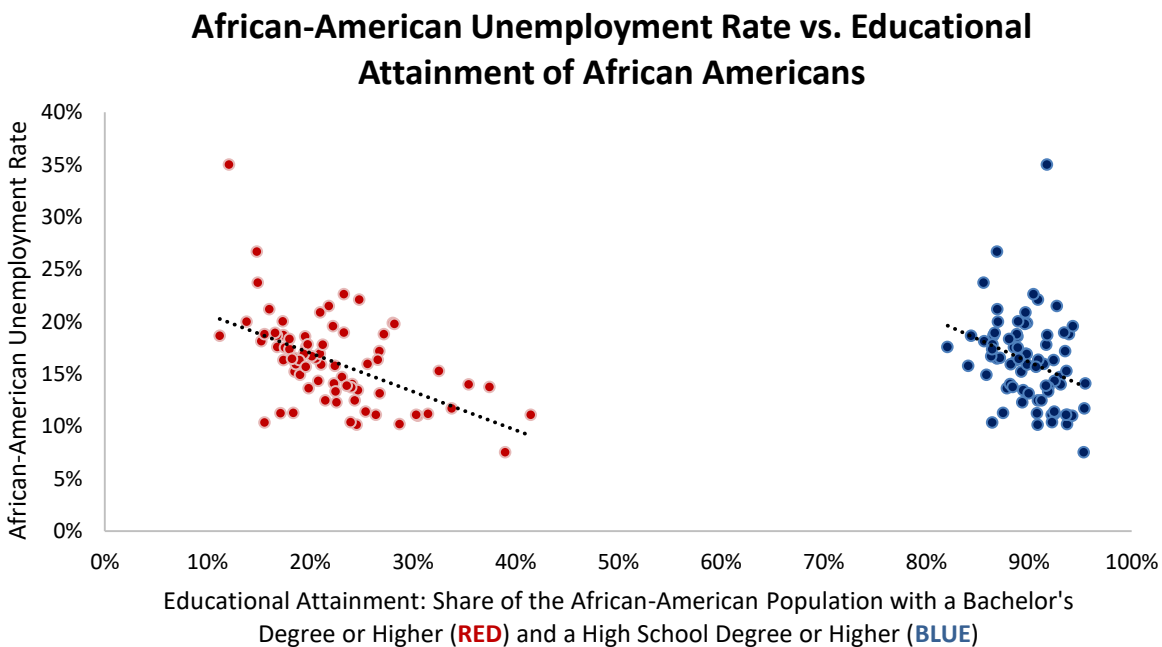
Education

The most successful function of government in combating poverty and reducing unemployment has been to educate all people. In *American Economic History*, Johnathan Hughes and Louis Cain (2003) of Northwestern University note that the 20th Century was the “human-capital century.” In 1910, only about 10 percent of America’s youth graduated from high school. Thirty years later, over 50 percent of 18 year olds received a high school diploma. This subsequently “set the stage for the massive increase in college education that took place during the post-World War II years.” The returns to education were high, and demand for educated blue-collar workers rose considerably. “It is no coincidence,” Hughes and Cain conclude, “that, at the time America began to pull ahead of other countries in terms of income, it also pulled ahead of other countries in terms of education” (Hughes & Cain, 2003).

More recent research corroborates this conclusion. Blomquist, Christiansen, and Micheletto (2009) find that providing public education significantly improves the employment rate. An extra year of education for an individual increases his or her earnings by 7 to 10 percent (Stevens & Weale, 2003). Further evidence by Noah Berger and Peter Fisher (2013) of the Economic Analysis and Research Network finds that a well-educated workforce raises median wages and builds a foundation for shared economic prosperity within a state.

There is a moderate to strong relationship between the level of educational attainment for African Americans in a county and the corresponding unemployment rate for African Americans in the county (Figure 9). As the share of the African-American population with a bachelor’s degree or higher increases, the share of the African-American population that is unemployed falls on average, with a strong correlation of -52.4 percent. Unfortunately black graduation rates trail completion rates for white college students. According to the Social Impact Research Center’s study, *Racism’s Toll*, the graduation rate for “students of color at large public universities in Illinois is on average 18 percentage points lower than the rate for white students” (2016). Public policies that support higher education entry (i.e., tuition grants for low-income students) and completion (i.e., intervention measures for working and low-income students) will improve the number of African Americans with college degrees and very likely reduce the African-American unemployment rate.

FIGURE 9: African-American Unemployment Rate and Educational Attainment in Urban Counties, 2014



Source(s): Ruggles et al., 2015.

Moreover, there is a moderate correlation (-30.0 percent) between the percentage of black residents with at least a high school degree or equivalent and their unemployment rate. Importantly, the level of financial support that the local community and the state provide to school districts influences graduation rates. In Illinois, high school graduation rates are 10 to 15 percentage

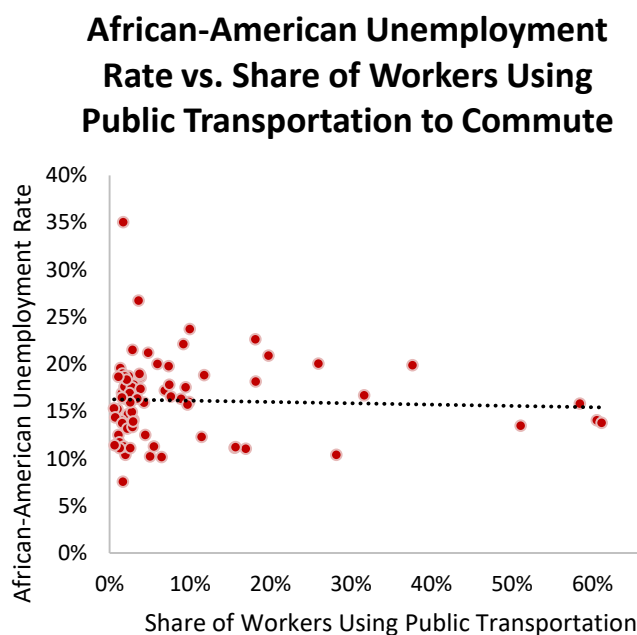
points lower for students of color (*Racism's Toll*, 2016). In Illinois, the overall level of state spending per K-12 students in 2016 was nearly \$5 billion less than what was needed to meet an advisory board's recommendation for an "adequate education." Note that the starting point for K-12 funding is the "Foundation Level," which is the minimum per-pupil spending amount set by law annually. Since 1997, the Foundation Level has been intended to cover most of the basic costs of educating a "non-at-risk" child with a reasonable chance of academic success. The impact of education funding on graduation rates is heightened in Illinois because of the state's over-reliance on local property taxes to fund public schools. According to a national report, Illinois ranks 50th among the states in the percentage of education funding that comes from state (28 percent) rather than from local (63 percent) tax revenues (*Baker et al.*, 2015). The resulting inequity fosters an education funding system in which largely non-minority children from wealthy districts are the beneficiaries of adequately-funded schools, while low-income districts, which typically include large minority populations, must make do with far less. The Illinois school districts with the most students of color receive 16 percent less in funding per student than districts serving the fewest students of color (*Racism's Toll*, 2016). According to the Center for Tax and Budget Accountability, "gaps in education spending between low income and wealthy school districts in Illinois are among the very worst in the country" (CTBA, 2016).

Public Transportation and Commute Times

All economic debates that discuss costs are incomplete without also considering benefits. Every action has a cost, even if there is not a defined price attached to it. Going to work, for instance, has many costs: The price of fuel or the fare to use public transit, the wear and tear placed on the worker's vehicle, and even the risk of a transportation-related injury or death. But there are also "opportunity costs" of going to work. The individual could otherwise be learning a new skill, spending time with family, exercising, or sleeping. Despite these costs, people go to work every day because the monetary and personal fulfillment *benefits* of going to work outweigh the *costs*.

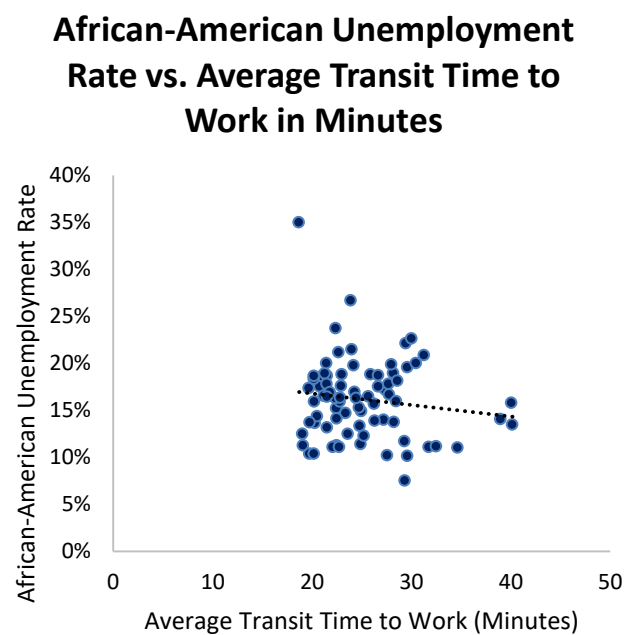
For every potential worker, however, the cost becomes too large at some point. As an extreme example, it would be very unlikely for an individual to accept a job if the commute takes four hours in one direction. The fuel and time costs would simply be too burdensome. This thought experiment, though exaggerated, is important in understanding how investments in transportation infrastructure— especially those which increase worker-to-firm connectivity— are important in supporting employment. When individuals can easily get to jobs, they are less likely to be unemployed.

FIGURE 10: African-American Unemployment Rate and Public Transportation in Urban Counties, 2014



Source(s): Ruggles et al., 2015.

FIGURE 11: African-American Unemployment Rate and Commute Times in Urban Counties, 2014



Source(s): Ruggles et al., 2015.

On the surface, Figures 10 and 11 do not provide evidence for this theory. There is no relationship between African-American unemployment and average commute times to work in a county (-13.5 percent) and there is no relationship between African-American unemployment in a county and the share of workers in that county using public transportation to get to work (-4.4 percent). However, public transportation becomes an important factor when considering all other variables in Section 3.

Housing

Residential housing segregation remains an economic problem in the United States. School quality and educational outcomes have historically been poor in neighborhoods with large African-American populations, negatively impacting the long-term economic prospects of black workers. At the same time, “experiments displacing low-income families into housing in higher-income neighborhoods have yielded only mixed results” (Coley & Baker, 2013).

Housing costs can impact urban labor markets. High housing costs can restrict employment opportunities for low-income and middle-class families, who cannot afford to live in cities with high costs. This has led some think tanks to claim that a property taxes freeze would reduce black unemployment (Lucci, 2016). On the other hand, the price of housing tends to be higher in areas with strong economies. When county economies are growing, workers of all racial and ethnic backgrounds move into the area – leading to higher rents and ownership costs.

The correlational analysis suggests that local housing costs are related to African-American unemployment rates (Figures 12 to 14). Note that “gross rent” is the contractual rent plus utilities and fuels, while “selected monthly owner cost” is the sum of mortgage, loan, tax, insurance, utilities, fuels, and association payments. There exists a moderate relationship between the average gross rent paid by African-American tenants and the African-American unemployment rate (-33.7 percent), which indicates that higher rents are correlated with lower African-American unemployment rates. There is also a weak relationship between average monthly owner costs and the African-American unemployment rate in a county (-12.7 percent). There is no discernible relationship between higher property taxes and lower African-American unemployment rates, at least in a correlational analysis (7.6 percent).

FIGURE 12: African-American Unemployment Rate and Average Homeownership Costs, 2014

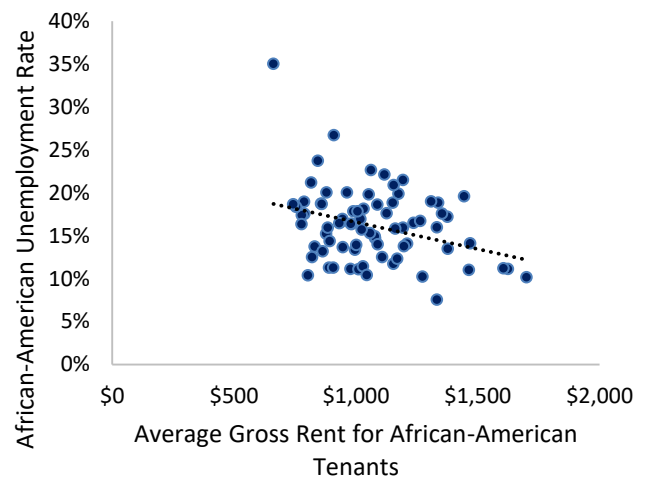
African-American Unemployment Rate vs. Average Selected Monthly Owner Costs (SMOCs)



Source(s): Ruggles et al., 2015.

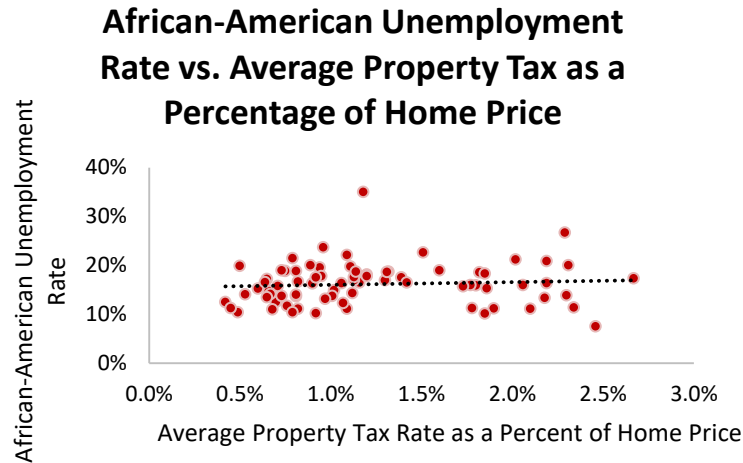
FIGURE 13: African-American Unemployment Rate and Rent for African-American Tenants, 2014

African-American Unemployment Rate vs. Average Gross Rent for African-American Tenants



Source(s): Ruggles et al., 2015.

FIGURE 14: African-American Unemployment Rate (2014) and Local Property Taxes, 2007-2011



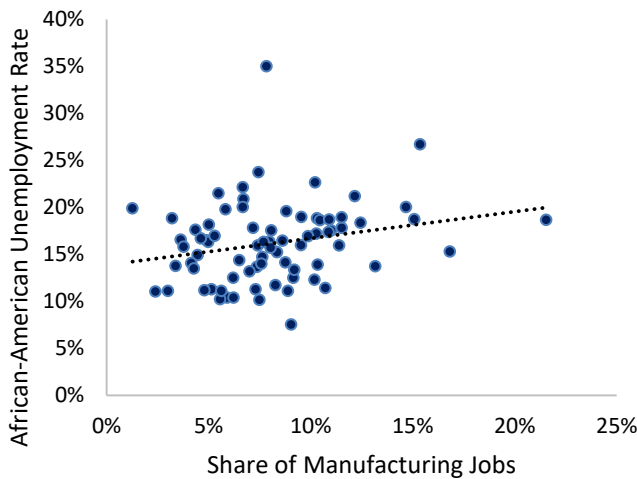
Source(s): Ruggles et al., 2015; CNN, 2014.

Industries and Labor Market Institutions

The industry composition of local economies may impact African-American unemployment rates. Industrial cities that have historically relied on manufacturing to employ workers have recently experienced relatively high rates of joblessness as the U.S. economy has become more interconnected globally and shifted to service sectors. The public sector often offers an alternative path to a middle-class income for African-American workers (Pitts, 2011). Some commentators, however, claim that cutting government spending (which would result in public sector job losses) would help the economy and reduce unemployment rates.

FIGURE 15: African-American Unemployment Rate and the Manufacturing Share, 2014

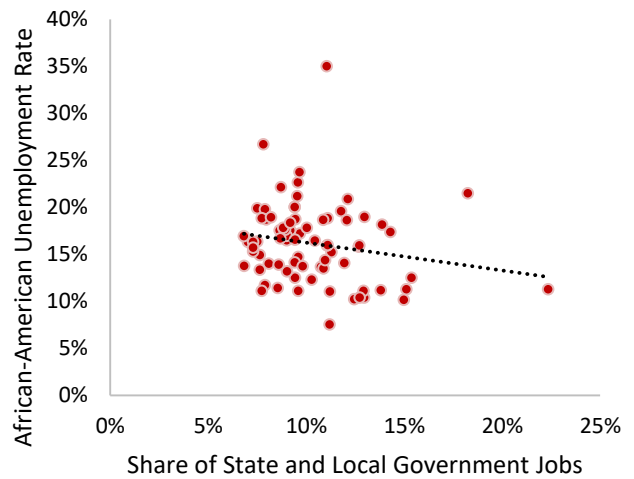
African-American Unemployment Rate vs. Share of Manufacturing Jobs in County Economy



Source(s): Ruggles et al., 2015.

FIGURE 16: African-American Unemployment Rate and the State and Local Government Share, 2014

African-American Unemployment Rate vs. Share of State and Local Government Jobs in County

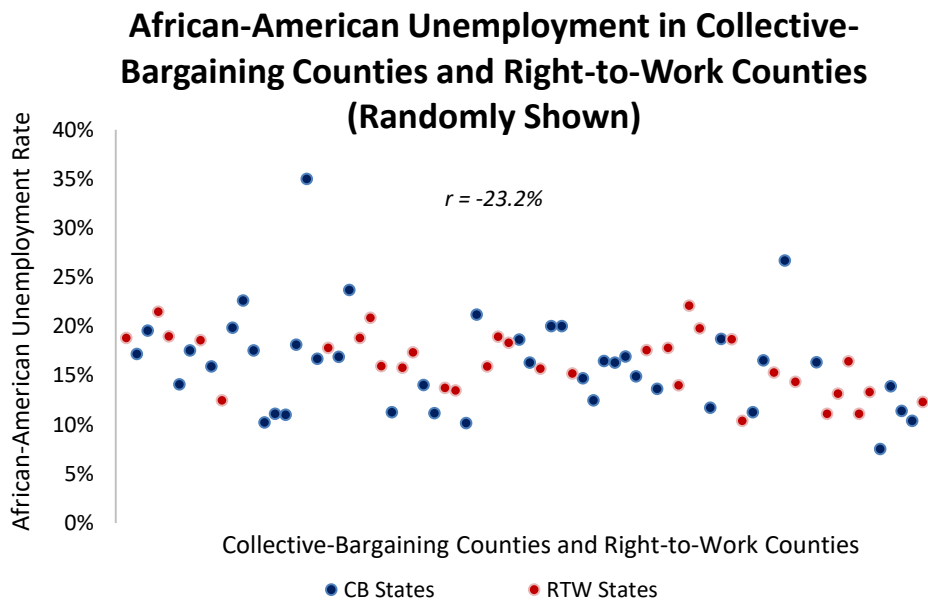


Source(s): Ruggles et al., 2015.

Figures 15 and 16 report the relationships between these economic sectors and African-American unemployment rates in the 76 analyzed counties. There is a weak relationship between a higher manufacturing share of total employment in a county and a higher African-American unemployment rate in the county (23.6 percent). This apparent relationship breaks down in a more complete analysis in Section 3. Conversely, there is a weak relationship suggesting that a higher share of state and local government workers in a county is correlated with a lower African-American unemployment rate (-18.8 percent). As discussed in Section 3, this relationship is sustained when considering other important economic factors.

Economies are also structured around labor market organizations. Some commentators and politicians view labor unions as distorting the market and reducing employment opportunities even though unions raise worker incomes and increase consumer demand in ways that often offset disemployment effects. One government regulation on unions in some states is a “right-to-work” law, which prohibits workers from freely entering into a specific type of private contract with employers with a “fair share” clause. However, as Figure 17 demonstrates, there is only a weak relationship between “right-to-work” counties and their respective African-American unemployment rates (-23.2 percent). Figure 17 depicts the counties as “right-to-work” states and collective-bargaining (i.e., non-“right-to-work”) states. While the highest unemployment rates for African Americans in the counties analyzed are in collective-bargaining states, the lowest African-American unemployment rates are also in collective-bargaining states. This generally aligns with the preponderance of economic research, which finds that the impact of right-to-work laws on employment is mixed – in stark contrast to much of the political rhetoric (Collins, 2012; Hogler, 2011; Stevans, 2009).

FIGURE 17: African-American Unemployment Rate and “Right-to-Work,” 2014



Source(s): Ruggles et al., 2015.

Incarceration Rates

Incarcerations rates affect black unemployment rates in two ways (Western & Pettit, 2010). First, by removing millions of people from the labor force, U.S. incarceration policy artificially lowers the unemployment rate. Young, unskilled African Americans are disproportionately incarcerated in the United States. Since these able-bodied individuals are at higher risk of unemployment than the rest of the population, removing them from the labor market lowers the conventional measure of joblessness. Second, however, incarceration raises unemployment over the long run by curtailing the employment prospects of ex-convicts. Figure 18 provides minor evidence for the first, short-run effect. There is a weak relationship between a higher incarceration rate per 100,000 residents in a county and a lower African-American unemployment rate in that county (-20.1 percent).

FIGURE 18: African-American Unemployment Rate and the Incarceration Rate, 2014

African-American Unemployment Rate vs. Incarceration Rate Per 100,000 Residents



Source(s): Ruggles et al., 2015; Vera, 2015.

Section 3: The Impact of Each Variable

Regression Analyses

To parse out the actual and unique impact of a particular variable on the African-American unemployment rate, two ordinary least squares (OLS) regression models are used. This technique describes “how much” a factor is responsible for lowering or raising the unemployment rate. For example, how much is a higher percent of African-Americans with bachelor’s degrees responsible, if at all, for a lower African-American unemployment rate in a county? The analyses reveal the factors that are statistically significant (Figure 19).

First, a one percentage-point increase in the overall unemployment rate in a county is statistically associated with a 1.29 percentage-point increase in the African-American unemployment rate. This means that, when the unemployment rate for workers of all races increases, African-Americans are disproportionately impacted because their unemployment rate goes up even higher. Local labor market conditions matter; however, the overall unemployment rate is omitted in one model to determine whether its inclusion biases the results.

Second, a one percentage-point increase in the share of the county employed by a state or local government unit is statistically associated with a 0.31 to 0.49 percentage-point decrease in the African-American unemployment rate. Conversely, cuts to state and local government employment would have a negative effect on African-American workers, raising their unemployment rate in a county.

Third, public transportation has an empirical effect on the African-American unemployment rate in urban counties across America. After accounting for other important factors, a one-percentage point increase in the share of commuters taking public transportation to work— rather than driving and other modes of transit— is statistically associated with a 0.09 to 0.13 percentage-point drop in African-American unemployment. A 10 percentage-point increase in public transportation commuters decreases the African-American unemployment rate by between 0.90 and 1.33 percentage points, on average. Expanding public transit systems helps to improve worker access to jobs, which has hugely beneficial impacts on African-American communities.

Fourth, raising the share of African Americans who have at least a bachelor’s degree by one percentage point is statistically associated with a 0.18 to 0.48 percentage-point decrease in the African-American unemployment rate, depending on whether the local unemployment rate for workers of all races is considered. The evidence on improving high school degree attainment rates is inconclusive, but all individuals need a high school degree or equivalent before they can earn a bachelor’s degree.

The final factors that influence African-American unemployment relate to housing costs. A one percent increase in average homeownership costs is statistically associated with a 0.10 to 0.11 percentage-point increase in the local African-American unemployment rate. In this case, high housing costs tend to cause high African-American unemployment. However, a one percent increase in the average gross rent for African-American tenants is statistically associated with a 1.4 to 1.6 percentage-point decrease in African American unemployment rates. In this case, high rental costs tend to be related to lower levels of joblessness. The average property tax rate has no statistical effect on African-American unemployment rates.

The last column in Figure 19 provides conclusions on the impacts of each variable. All variables that have statistical significance are deemed to have “significant impacts” on the African-American unemployment rate. If a public policy or economic variable has significance at only the 10 percent level *or* if it has a moderate or strong correlation, then it is considered to have a “suggestive impact” on the employment rate. A factor has “no impact” at all if it has no or a weak correlation between the black unemployment rate *and* is insignificant in the advanced analyses.

Several public policies offered as solutions to reduce African-American unemployment actually have no discernible impact. Raising the manufacturing share of employment does not reduce African-American unemployment in a county. “Right-to-work” laws also have no effect. The incarceration rate has no apparent effect on the overall African-American unemployment rate, likely due to its mixed effect of artificially reducing short-run unemployment rates but increasing long-term unemployment rates, as discussed previously. Although public transportation has an effect, higher commute times to work exert no independent influence over African-American unemployment rates. Finally, demographic factors have no discernible

impact on African-American unemployment rates. In particular, there is no evidence that foreign-born workers in a county “take” jobs away from African Americans.

FIGURE 19: Statistical Analyses of Independent Variables on the African-American Unemployment Rate

Variable	Correlation	Strength	Model 1	Model 2	Conclusion
<u>Variables of Interest</u>					
Overall Unemployment Rate (All Races)	0.634	Strong	1.286 ***	N/A	Significant Impact
Manufacturing Share of Employment	0.236	Weak	-0.087	0.209	No Impact
State and Local Government Share of Employment	-0.188	Weak	-0.305 ***	-0.491 ***	Significant Impact
Public Transportation Share of Commuters	-0.044	None	-0.090 **	-0.133 **	Significant Impact
Average Commute Time to Work	-0.135	Weak	0.000	0.003	No Impact
Share of African Americans with a High School Degree	-0.300	Moderate	0.263 *	0.339 *	Suggestive Impact
Share of African Americans with a Bachelor’s Degree	-0.524	Strong	-0.176 **	-0.478 ***	Significant Impact
Average Selected Monthly Owner Costs	-0.127	Weak	0.100 ***	0.114 ***	Significant Impact
Average Gross Rent for African-American Tenants	-0.337	Moderate	-0.159 ***	-0.140 **	Significant Impact
Average Property Tax as a Percent of Home Price	0.076	None	-0.301	-0.838	No Impact
“Right-to-Work” County	-0.232	Weak	-0.007	-0.004	No Impact
Incarceration Rate Per 100,000 Residents	-0.201	Weak	-0.000	-0.000	No Impact
African-American Share of the Labor Force	0.004	None	-0.098 **	-0.058	Suggestive Impact
Foreign-Born Share of the Labor Force	-0.155	Weak	0.007	0.104	No Impact
Female Share of the Labor Force	0.235	Weak	0.565 *	1.110 **	Suggestive Impact
Veteran Share of the Labor Force	-0.119	Weak	-0.167	0.006	No Impact
R ²	N/A	N/A	0.824	0.576	N/A

Source(s): Authors’ analysis of Ruggles et al., 2015; CNN, 2014; and Vera, 2015.

Policies that Make a Difference

To reduce African-American unemployment, the City of Chicago, Cook County, and local governments across the United States should implement policies and programs related to the variables that have significant impacts. Boosting public sector employment, increasing public transportation ridership, improving the share of African-Americans with a bachelor’s degree, lowering the relative costs of homeownership, and enhancing local market conditions are all ways to lower African-American unemployment rates.

1. **Boosting public sector employment:** A one percentage-point increase in state and local government employment decreases the African-American unemployment rate by as much as 0.5 percentage points. In addition, every \$1 million spent in Cook County on state and local government workers creates 6 net jobs and \$393,000 in net economic output, even after accounting for the cost of a higher tax (IMPLAN, 2016). Efforts to cut state and local government employment would have a disproportionately negative impact on African-American workers in Cook County.
2. **Increasing public transportation ridership:** A one-percentage point increase in the public transit commuters decreases the African-American unemployment rate by about 0.1 percentage point. In addition, every \$1 million spent in Cook County on local government passenger transit creates 24 net jobs and \$1,981,000 in net economic output, even after accounting for the cost of a higher tax (IMPLAN, 2016). Increasing investment in public transportation systems improves connectivity and economic efficiency for all workers in Cook County.
3. **Improving the share of African-Americans with a bachelor’s degree:** A one-percentage point increase in the share of African Americans with at least a bachelor’s degree decreases the African-American unemployment rate by as much as 0.5 percentage points. In addition, every \$1 million spent in Cook County on public universities creates 3 net jobs and \$519,000 in net economic output, even after accounting for the cost of a higher tax (IMPLAN, 2016). Increasing investment in higher education and reducing tuition costs for all residents would benefit African-American communities in Illinois.

4. **Lowering the costs of homeownership:** A one-percent decrease in homeownership costs decreases the African-American unemployment rate by about 0.1 percentage point. In most Chicago neighborhoods, it is illegal to build anything other than single-family homes (Hertz, 2014). By relaxing zoning laws, especially in high-demand neighborhoods, developers can build new high-rises and units. This increase in supply lowers the price of homes, making monthly mortgages more affordable for all families. Every \$1 million spent in Cook County on multifamily residential structures creates 10 net jobs and \$1,775,000 in net economic output – and this change could occur without even raising taxes (IMPLAN, 2016). Relaxing zoning laws in high-demand neighborhoods would benefit African-American communities in Chicago. Although not included in this analysis, a \$15 minimum wage would lower the *relative* cost of homeownership for the lowest-earning African Americans because the average wage needed to afford a modest one-bedroom apartment at the fair market rent in Illinois is \$16.36 per hour for a full-time worker (Nolan et al, 2016; Manzo & Staykova, 2016).

5. **Reducing the reliance on local property taxes to fund an adequate and equitable public education:** A study of Cook County African-Americans by the Chicago Urban League found that 54 percent named “education” as the most important factor in getting a good job. However, just 25 percent agreed that the public education system provides a quality education to all students (2008). Unequal education funding contributes to an inequitable education for people of color, leading to lower rates of high school completion, lower rates of college attendance and completion, and higher unemployment. Replacing the state’s current Foundation Level scheme for funding schools with an Evidence-Based Education Funding model would improve the chances of African-American students who are overrepresented in low-income communities to earn the minimum requirements to enter the labor market or to enter college (CTBA, 2016).

6. **Enforcing prohibitions against racial discrimination in employment and applying a racial justice lens to employment practices:** In addition to conducting an annual workplace audit to determine how strongly Illinois’ anti-discrimination laws are being enforced, the state should help employers develop tools to understand the equity effects of employment decisions. The state’s Human Relations Commission should assist employers in developing a Racial Equity Impact Assessment (*Racism’s Toll*, 2016) to determine how different racial and ethnic groups will likely be affected by a proposed employment decision.

7. **Enhancing local market conditions:** A low overall unemployment rate and high rents are generally byproducts of a strong local economy. The best way to improve local market conditions is to invest in both physical infrastructure and human capital. Corporate executives list the availability of skilled labor and highway accessibility as the two most important factors in moving to a community or state (*Area Development*, 2016). Thus, investing in transportation infrastructure and investing in higher education are appropriate policies to boost the employment of all workers, including African Americans (Manzo & Bruno, 2015). Balancing local government budgets to restore both consumer and investor confidence in Chicago and the surrounding region would also help.

The City of Chicago and Cook County should set the following policy goals: a one percentage point increase in state and local government employment, public transportation ridership, and the share of African Americans with at least a bachelor’s degree, with a one percentage point decrease in the relative cost of housing. Based on the economic analyses, achieving these policy goals would reduce the local African-American unemployment rate by between 0.7 and 1.2 percentage points compared to what it would otherwise be (Figure 20). This would translate into jobs for thousands of African-American workers in Cook County.

FIGURE 20: Impact of Four Policy Goals on the African-American Unemployment Rate in Cook County, IL

A 1 Percentage-Point Change in:	Model 1 Effect on African-American Unemployment:	Model 2 Effect on African-American Unemployment:
State and local government share of employment	-0.305	-0.491
Public transportation share of commuters	-0.090	-0.133
Share of African Americans with bachelor’s degrees	-0.176	-0.478
Average homeownership costs (1% lower)	-0.100	-0.114
Total effect	-0.671	-1.216

Source(s): Authors’ analysis of Ruggles et al., 2015; CNN, 2014; and Vera, 2015.

Section 4: Implications for Illinois and Conclusions

Policies that reduce unemployment in local economies tend to have large positive socioeconomic impacts. Among 16 public policies and economic phenomena investigated in this analysis, six make a difference in lowering the African-American unemployment rate. The factors that statistically reduce black unemployment in urban counties across America include a lower overall unemployment rate, a higher state and local government share of total employment, a higher share of commuters using public transportation, a higher share of African Americans with bachelor's degrees, lower local homeownership costs, and higher gross rents for African-American tenants in the county. The public transportation and higher education findings echo conclusions on policies that support employment for able-bodied, working-age individuals in states across America (Manzo & Bruno, 2015).

Other policies and phenomena have no discernible impact on African-American unemployment in urban counties. As examples, "right-to-work" laws, higher incarceration rates, and lower property tax rates all have no statistical effect on African-American unemployment. Demographic factors also have no discernible impact. In particular, there is no evidence that foreign-born workers "take" jobs away from African Americans in urban counties.

To reduce African-American unemployment, the Chicago area should implement policies and programs related to the factors that actually make a difference.

- Boosting public sector employment provides middle-class job opportunities for African Americans who are otherwise more likely to fall below the poverty line.
- Investing in public transportation lowers the costs of *going* to work and improves African-American access to positions all over the city.
- Investing in the educational outcomes of young African Americans supports both workers and employers.
- Relaxing zoning laws can reduce the costs of homeownership, particularly for African-American families. In addition, a \$15 minimum wage would lower the *relative* cost of homeownership for the lowest-earning workers.
- Policies that improve overall economic conditions in Chicago would attract new workers and businesses to the city. Both economic data and surveys of corporate executives demonstrate that the best way to achieve this is by investing in worker skills and physical infrastructure.

In any case, the unemployment rate of African-American workers in Cook County could be reduced by as much as 1.2 percentage points if the Chicago area achieves a one percentage point change in the four following goals:

1. increasing state and local government employment;
2. increasing public transportation ridership;
3. increasing the share of African Americans with at least a bachelor's degree and
4. reducing the relative cost of homeownership.

Voters and elected officials must consider the merits of local proposals to reduce African-American unemployment. Effective policies that invest in workers, invest in public transit, bolster public sector employment, and lower the cost of homeownership can facilitate good, middle-class jobs for African Americans who face considerable structural barriers. The City of Chicago, Cook County, and the State of Illinois should all take steps to achieve these goals.

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