

# Why Spatial Mismatch Still Matters

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## **Two major characteristics of American**

socio-economic relations are the geographic isolation of the poor and the related phenomenon of disproportionate minority poverty. Economic and racial segregation has frequently led to what researchers term a “spatial mismatch” between low-skilled minority workers and available jobs. This paper identifies unemployment as the most pressing current problem of geographic isolation of the poor that demands policy attention, assesses evidence

for a spatial mismatch, and considers critiques of this evidence in asking questions relevant for antipoverty policy. Partly due to data constraints, and partly to political relevance, much of this literature focuses exclusively on African Americans, although it likely has significant relevance for concentrations of other groups of the minority poor.

### ***Spatial Isolation: Concentrated Poverty and the Underclass***

Concentrated poverty has been on the political and policy agenda since the mid-1980s after a hiatus from the end of the War on Poverty through the end of the Reagan Administration—when the popular press drew attention to the growing problems of the inner cities: violence, chronic unemployment, single-headed households, and a growing drug trade and incidence of addiction, for example. There have been many micro-explanations for these trends. Growing gang problems were used to explain the resurgence of violence, welfare dependency to explain unemployment and single-motherhood, and the lack of strong social institutions such as neighborhood watch groups and afterschool programs to explain the persistence of the drug trade and addiction. These causal factors, while important and often true on a micro level, seem not to look at systemic problems that shape the environment in which low-income neighborhood residents live and consequently have led to isolated policy responses with questionable effect.

Where there were attempts to look at cumulative effects and causes of these problems, analysts offered the “culture of poverty” as the main driver (as de-

scribed in Lewis 1968 and Banfield 1970). This thesis interpreted the problem as cultural practices determined by the *spatial concentration* of high poverty areas rather than as individuals’ inability to earn enough income. Because of its “cultural” focus, this point of view has been used with racist undertones and a laissez faire implication that offered policymakers and intellectuals a rationale for ignoring spatial concentrations of poverty. Combined with a policy focus on deindustrialization and recession during the 1980s (as described in Harrison and Bluestone 1988), urban poverty dropped on the list of policy priorities.

In the mid-1990s, due in part to the 1992 urban unrest in Los Angeles (Kain 1992), popular attention refocused on a changed urban poverty and the characteristics of an urban “underclass” left out of the economic recovery.<sup>1</sup> In sum, definitions of the underclass built on the culture of poverty thesis by accepting the interrelated problems of violence, drugs, poverty and welfare dependency, but differed sharply from it in definition of the central problem. Rather than a general cultural environment, their focus was on unemployment as the driver of the set of interrelated problems.

### **The Dispersal of Opportunity**

Building on an assessment of interrelated ghetto phenomena, Wilson (1996) asked why stable black institutions were not factors for mitigating concentrated poverty. To answer this question, he described a debilitating segregation of low-income urban labor and appropriate job opportunities exacerbated by the exit of black middle-class families from the ghettos.

In part following blue-collar manufacturing jobs relocating to the suburbs, and in part escaping the negative influences of the ghettos, this middle-class flight was the logical manifestation of successful and educated African Americans pursuing the “American Dream” of employment, homeownership and quality education for their children. In the absence of mitigating policy interventions, the process had significant negative effects on the neighborhoods they left.

Jargowsky (1997), in his exhaustive study of 239 metropolitan areas, documents the effect of this phenomenon on the increasingly concentrated poor. His statistical analyses of 1990 Census data show that neighborhood poverty rates, as defined by the proportion of a metropolitan area’s residents living in high-poverty census tracts<sup>2</sup>, are 17.1 percent for blacks and 1.3 for whites in all US metropolitan areas. Moreover, that concentrated poverty rates, as defined by proportion of a metropolitan area’s poor people living in high poverty tracts is 33.0 percent for blacks and 8.4 percent for whites. These differences are stark, and show that African American poverty is *highly spatial* in metropolitan areas. As with Wilson, Jargowsky identified the migration of employment opportunities to suburban regions in the metropolitan economy as a key driver of the concentration of poverty.

Others have extended this analysis by looking beyond census data at the regional distribution of public and private resources in the relationship between ghettos and economically growing suburbs, specifically connecting concentrated poverty and a drastically decreased inner city tax base with the out-migration of both the white and black middle-class, employed

workers and economic opportunities to the suburban fringes. These studies can generally be categorized into those assessing regional governance inefficiencies that isolate poor communities (for example, Rusk 1995; Bollens 1997; Orfield 1997) and those identifying economic trends that indicate a shared interest and inter-dependency between job-poor central cities and job-rich suburbs (Savitch et al. 1993; Barnes and Ledebur 1995; Voith 1998; Pastor et al. 1999; Goetzmann, Spiegel and Wachter 1998; Persky and Wiewel 1998).

If we understand jobs and unemployment to be the primary cause of current concentrated poverty, and we understand that job growth is occurring primarily outside of ghettos in suburban areas, then we should revisit debates about the metropolitan-regional labor market experience of ghetto residents. The spatial mismatch hypothesis is a long-standing debate within the academic literature that explores this political-economic relationship by analyzing wages, unemployment, and commute times and distances. A review of its key points and critiques will lead to questions of prioritization for anti-poverty policy.

## **The Spatial Mismatch Hypothesis**

### *Basic Claims*

Since the late 1960s, with Kain’s (1968) seminal analysis, researchers have been debating the relationship between housing segregation, employment opportunities, and labor market performance.<sup>3</sup> The following statements are key elements of the original spatial mismatch hypothesis: 1) there are fewer jobs

per eligible worker in inner-city African American neighborhoods than in white ones; 2) the main explanation for higher black unemployment rates, lower wages, and longer commutes than whites with similar job qualifications is geographic isolation from jobs; 3) black unemployment is mostly a result of unequal allocation of poor minority population within metropolitan regions rather than a result of discrimination, educational status, or lack of skills; 4) spatial proximity of employment opportunities and poor people, through information networks and physical contact, would necessarily link the two; and 5) that housing segregation exacerbates labor market disadvantages of the urban poor. As a corollary point, although the standard spatial mismatch hypothesis analysis rarely addresses concentrated poverty directly, given the literature linking unemployment to concentrated poverty previously discussed, analysts have often used the hypothesis as the basis for urban minority poverty reduction policy recommendations. In part, the spatial mismatch hypothesis is hotly debated because of its implications for urban policy.

The literature shows some association between housing segregation and African American participation in the workforce. The original spatial mismatch hypothesis rested on the dichotomy between job growth in the suburbs and job-poor inner cities. Kain's (1968) study of Chicago and Detroit examined the distribution of employment for each of the two cities and tested three hypotheses: 1) higher commuting costs between inner cities and suburban jobs lowers the net wage of inner city labor market

participants; 2) greater distance between inner cities and employment opportunities might lower the possibility that information concerning jobs would reach job seekers and potential job seekers; and 3) employers located outside black residential neighborhoods may discriminate disproportionately against blacks (Kain 1968: 179-80). Overall, Kain found that there was a significant negative relationship between distance of jobs from the ghetto and ghetto employment, that the skills required of jobs outside of ghettos were not significantly different from those required within black neighborhoods, implying that information and discrimination play more important roles than skills, and that there was a positive relationship between racial composition of neighborhoods and the amount of employment of the particular race within that neighborhood. Based on these data, Kain hypothesized that housing discrimination was the key to understanding indirect employment discrimination and a significant constriction of employment opportunities for low-income urban African Americans. Thus, he concluded that spatial segregation drives black unemployment—or that there is a “spatial mismatch” between the unemployed black labor force and new job opportunities outside of distressed black neighborhoods.

Subsequent to Kain's analysis, Mooney (1969) studied the twenty-five largest Standard Metropolitan Statistical Areas (SMSAs), and concluded that the geographic separation of the black ghettos from the burgeoning suburban job market negatively influenced African American performance in the labor market. However, he importantly noted that the

overall unemployment rate of an SMSA played a more important role (309). Thus, he expanded Kain's spatial analysis to the twenty-five largest Standard Metropolitan Statistical Areas (SMSA), but unlike Kain stopped short of prioritizing housing segregation as the most important variable explaining black unemployment.<sup>3</sup>

Since the late 1960s many studies have attempted to clarify the relationship between residential segregation and labor market opportunities and performance. Kasarda (1989), for example, describes a national trend for job-growth in expanding suburbs and exurbs, linking it to increased unemployment in central cities and limited mobility options that constrict poor people's opportunities to take advantage of these new jobs. Hughes and Madden (1991) investigated the spatial mismatch hypothesis for Cleveland, Detroit, and Philadelphia, incorporating intra-metropolitan variations in rents and wages. They found that the economic status of blacks could be significantly improved by changing their residential location. However, these residential changes did not significantly alter physical accessibility to better jobs. Rather, they conclude that a lack of information in ghetto neighborhoods about suburban jobs may be the most significant aspect of a spatial mismatch.

Stoll (1999), Ihlanfeldt and Sjoquist (1990; 1991), Leonard (1985; 1987), Mayer and Jencks (1989), Danziger and Weinstein (1976), Farley (1982), among others conducted analyses of urban minority employment and wages, and each concluded that location and proximity to job opportunities are sig-

nificant variables—among several—in explaining either lower wages or unemployment. Thus, most researchers would, at least to some degree, find evidence for a spatial mismatch affecting African Americans, and to some degree Hispanics. This evidence confirms Kain's original claim that housing segregation plays a role in urban minority unemployment.

The real question, however, is the *relative significance* of this correlation and the strength of the causal relationship. As Goldsmith and Blakely (1992) reasonably state,

[O]n the one hand, it would appear absurd to claim that physical isolation in the ghetto or barrio does not hamper residents' ability to search for and keep jobs. On the other, it would be equally absurd to plead for dispersal of the ghetto or barrio as a solution. 'Dispersal' of the ghetto or the barrio does not really make sense: the ghetto and barrio represent problems, transmit inequality, and serve as proxies for many other social processes that seem aimed toward the creation and reinforcement of separate societies (135).

### ***Reviews of the Field***

In part to achieve consensus on this debate, and in part as a response to recurrent urban unrest manifest in Los Angeles in 1992 which was similar to that which stimulated Kain's original study, several comprehensive literature reviews of the spatial mismatch hypothesis have surfaced in the 1990s. In one review of the field, Holzer (1991) looked at twenty studies of the spatial mismatch hypothesis. From this work, he concludes that: 1) population and manufacturing are declining in the central cities; 2) residential segre-

gation has been declining slowly for blacks, but not as quickly in the large industrial areas of the Northeast and Midwest; 3) black residents of the inner city have less access to employment than either blacks or whites in the suburbs; and 4) there seems to be a decline in earnings for blacks with job decentralization in the metropolitan area (117-8). Overall, he found eight studies clearly describing a spatial mismatch that negatively affects the black residents of ghettos, and five that found no evidence for a spatial mismatch.

Wheeler (1990) reviewed fifteen studies and found six that supported the spatial mismatch hypothesis, three that found no evidence of residential effects on employment outcomes in the labor market, and three positive relationships that were overshadowed by other factors such as racial discrimination or the metropolitan unemployment rate (Wheeler 1990: 15-30). Ihlanfeldt and Sjoquist (1998) have conducted a similar review of twenty-eight newer studies of the spatial mismatch hypothesis, and found that twenty-one support the hypothesis and seven find little support or reject it outright. Thus, they conclude that there remains no significant debate over the validity of the spatial mismatch hypothesis.

As we can see, the spatial mismatch literature is not unclear for lack of studies. There have been a number of attempts to test whether residential segregation has negatively influenced the labor market performance of blacks living in ghettos, and each suggests areas of research that might provide more clarity. Holzer ends his overview with a call for more research on the direction of causality and *relative im-*

*portance* of location affecting the outcomes of black performance in the labor market regarding employment rather than wage levels or earnings (1991: 118). His suggestion is to focus on controlling for individual characteristics (e.g., skills and human capital endowments) and a better understanding of why the labor market conditions deteriorated for black job seekers during the 1980s to gain more clarity on the spatial mismatch hypothesis. Wheeler, on the other hand calls for a better analysis of policy responses to the spatial mismatch hypothesis and a more nuanced controlling for gender and race factors. Similar to Holzer, Ihlanfeldt and Sjoquist (1998) call for more work on the underlying causes of spatial mismatch rather than on further attempts to document that it exists. Despite this call, they go on to discuss policy options for mobility strategies, explaining some of their benefits as a short-term strategy, even though the results of an examination of the underlying causes of spatial mismatch may well imply that mobility itself has very little effect in reducing unemployment in the ghettos.

Finally, Kain (1992) himself conducted perhaps the most comprehensive review of the literature, and found that “housing market discrimination and the particular pattern of racial residential segregation. . . are important causes of low employment levels of the Afro-American residents of central cities” (Kain 1992: 436). His suggestions for further research are illuminating. He claims that the magnitude of spatial mismatch effects is the most important area for future research, calling for more detailed analyses of labor market participants in particular places, in-

depth interviews of black migrants to predominantly white suburban neighborhoods, and analyses of firm personnel records and labor market demands. Given that the spatial mismatch hypothesis literature has 1) often assumed all cities will exhibit similar processes; 2) has relied almost entirely on statistical methods of analysis; and 3) generally lacks detailed analysis of labor market *demands* in favor of labor *supply-side* approaches, Kain's suggestions may offer productive avenues of future research.

Despite relative consensus on the existence of a spatial mismatch there remains significant debate over the degree to which spatial policies should be promoted over others. The following overview of the major refinements and critiques of the spatial mismatch hypothesis may help policymakers weigh alternative policy interventions as well as challenge them to develop integrated programs and institutions.

### **Policy Prioritization: Refinements and Major Critiques of Conventional Spatial Mismatch Studies**

Despite the number of studies testing the spatial mismatch hypothesis, there remain significant questions about the *relative* strength of correlations between housing segregation and employment opportunity regarding employment rates and real wages paid to minority workers living in enclaves. Prior to defining the refinements and critiques of the spatial mismatch hypothesis, it is important to note that relatively few writers claim that spatial isolation is the *only* influence on minority employment patterns. The majority test the spatial mismatch hypothesis in

relation to other factors that that may drive employment outcomes. While less consequential from an academic perspective, this attention to relative priority is very relevant to the development of policy for greater minority employment and poverty reduction. Each analysis of spatial mismatch has implications for anti-poverty policy.

To date, the most significant policy intervention based on the spatial mismatch hypothesis that has been systematically evaluated is Chicago's Gautreaux Housing Mobility Program, which "randomly" relocated low-income urban African Americans into either suburban or other urban neighborhoods. The effect of this relocation was an improved likelihood of employment and educational attainment for suburban movers, but evaluations also found that other factors (such as the number of children) were equally or more important (Rosenbaum and Popkin 1991; Rosenbaum 1995).

Similarly, the Department of Housing and Urban Development's (HUD's) Section 8 voucher program is a policy with significant implications for the spatial mismatch hypothesis. In sum, under the Section 8 program, HUD contracts with local public housing agencies to provide vouchers for low-income families. These vouchers can be used in the private housing market and serve to subsidize poor people's residential mobility. In his analysis of California data<sup>5</sup>, Ong found that Section 8 vouchers may offer the poor "greater residential choice and mobility, improving opportunities for employment" (1998: 779). Ong concludes not only that residential mobility can help low-income minorities gain a greater attachment

to the labor market, but that a housing program should go beyond simply the provision of shelter to promote other desirable outcomes such as employment opportunities where possible. The following critiques are intended to help policymakers think about such types of coordinated programs and multiple outcomes.

### ***Gender Bias***

Most traditional spatial mismatch studies address only men, and usually just African American or perhaps Hispanic minorities.<sup>6</sup> However, increasingly the urban poor population is comprised of single women and/or immigrant women who are at least equally constrained through housing discrimination to enclaves and ghettos yet have different labor market experiences from men.

Few families conform today (if they ever did) to the patriarchal model of a working adult male and an adult “homemaker” female. In fact, women nearly work at levels on par with men, yet also contend with particular constraints such as daycare and household responsibilities. Overall, the literature on spatial mismatch and women workers shows different spatial constraints from those for men. In particular, women often search for jobs within a more confined geographic area, have shorter commuting routes, and are therefore more influenced by a lack of availability of local jobs (Hanson and Pratt 1991; McLafferty and Preston 1992; Gordon, Kumar and Richardson 1989). This spatial mismatch, moreover, varies among women of different ethnicities. In a study of northern New Jersey, for example, McLafferty and

Preston (1992) found that white women have the greatest spatial access to jobs, experiencing generally localized labor markets and lower commuting times. African American women experience the greatest mismatch, as evidenced by the longest commute times and heavy reliance on mass transit. Localized labor markets, however, do not necessarily imply better employment conditions, since they found that Latina women experience relatively good spatial access to jobs, but are severely limited in wealth accumulation by occupying the lower tier of a dual-labor market. This finding opens an interesting set of questions on job characteristics, as yet unaddressed by spatial mismatch hypothesis researchers.

From the gender evidence on spatial mismatch, we can make no categorical conclusions about whether, and to what degree, housing segregation undermines employment outcomes of minority women. However, we can say that women tend to have a smaller work search area than men (this is likely because of child-rearing and other household-based responsibilities). Given the ongoing process of suburban-ization, the lack of new job opportunities in central cities implies that women are affected disproportionately negatively by spatial constraints. In some cases, this may be negative regarding employment chances, however, in other cases—because of labor market segmentation—high numbers of “women’s work” opportunities cluster precisely within minority neighborhoods (e.g., low-wage garment industries). These jobs do offer local access and in some cases the greater flexibility that female workers want in order to perform other traditionally female work. On the other hand, it would not



be correct to assert that these jobs are an effective avenue for reducing poverty, since these jobs constitute the “working poor” labor market (Thompson 1997; Hanson and Pratt 1991; Wheeler 1993; Rutherford and Wekerle 1988).

The policy implication of this refinement of the spatial mismatch hypothesis are that programs based on employee mobility (either through housing relocation or improved transportation) should account for female employees’ tendencies to work closer to home than males and the local availability of services such as daycare.

### ***Skill Mismatch***

Unlike other critiques of the spatial mismatch hypothesis, preliminary analyses of “skill mismatches” have taken into account industrial history, the historical evolution of inner city poverty, and ongoing class differentiation within many black urban populations (Wacquant and Wilson 1989; Wilson 1987). Such analyses build upon existing research on the globalizing economy that show many American metropolitan regions (not just the central cities) shifting from centers of manufacturing goods to centers of information exchange, administration, and financial transactions (Kasarda 1976, 1985, 1993; Noyelle 1987). Thus, these critics claim that the problem of urban poverty is more structural than spatial.<sup>7</sup> Structural economic shifts that change the nature and range of jobs have been the result of both technological change and foreign competition, both of which result in a loss of US low-skilled jobs through the siphoning off of manual labor through greater automation or overseas outsourcing.<sup>8</sup>

Kasarda (1989) has shown that indeed the composition of jobs in Boston, Chicago, Cleveland, Detroit, New York, and Philadelphia changed drastically between 1970 and 1980. Clerical, sales, and blue-collar jobs left central cities for suburban areas while professional and managerial occupations moved into central cities, thereby relocating the job market for low-skilled blacks out of reasonable commuting range. Thus, while the number of available jobs remained relatively stable in central cities, their composition changed drastically for the worse for low-skilled African Americans.

Kasarda’s skill mismatch findings are supported by the industrial change literature more than from the urban policy and poverty literature. Berman, Bound, and Machin (1997), for example, studied specific industries across the Organization for Economic Cooperation and Development (OECD) and found that most industries experienced “skill-biased technological change” that required workers with higher education levels and greater knowledge of new technologies such as microprocessors. Furthermore, D’Costa (1993) found that technological change in the steel industry placed American firms in a less competitive position, whereby they had to reduce their blue-collar payroll. Simultaneously, more competitive Japanese steel firms with new production techniques relocated to the US and required blue-collar labor with a high knowledge of and ability to learn new skills. Similarly, Deskins (1996) has found that black workers in Detroit were severely affected by auto plant layoffs for blue-collar workers because of changes in the occupational structure of the industry.

In essence, the skills mismatch argument states that urban black ghetto residents may not be qualified for the new jobs in suburban areas even were they to know about them or have spatial access to them. In his national assessment of urban poverty, Kasarda (1995) has been one of the few to directly relate these changes in industrial occupations to the spatial mismatch hypothesis and the problems of concentrated poverty and unemployment.

This critique poses the question of education and training approaches to poverty reduction. In weighing priorities for poverty policy, are schools (as argued by Levy 1998) the most important “equalizing institutions” for dealing with the urban poor? In what ways are the strength of educational institutions related to spatial mismatch and concentrated poverty?

### ***Transportation Mismatch***

The transportation mismatch critique also compares the experience of residents living in concentrated poverty conditions to the larger American and global economy. Analysts from this perspective contend that despite poor people’s spatial isolation from new economic opportunities, the separation of work and residence is not specific to poor neighborhoods (Ellwood 1986; Leonard 1987; Gordon, Kumar and Richardson 1988; Kasarda 1985, 1989; Rutherford and Wekerle 1988; Taylor and Ong 1995). In fact, most American workers have experienced increased commute times and huge increases in the spatial separation of work and residence. Thus, they argue, to say that spatial mismatch is the cause of unemployment ignores the

fact that *most workers experience some kind of spatial mismatch*, not just urban minorities.

In looking at national commuting times and distance data from the Nationwide Personal Transportation Studies from 1973-83/4 (rather than the traditional measures of wages and unemployment), for example, Gordon, Kumar and Richardson found that “neither minorities nor low-income workers have longer commutes” than other categories of workers (Gordon, Kumar and Richardson 1988: 315). They found that commuting patterns were remarkably similar across income and race/ethnicity lines, and used this as evidence of no disproportionate spatial mismatch affecting low-income or minority workers. Although this measure tells little about why there are large pockets of unemployed in ghettos or whether the wages per time spent during the commute is higher or lower based on residence, it does seem to refute two core spatial mismatch concepts: that urban minorities are less likely to live close to their work, and that they are required to make longer commutes than other workers.

Kasarda (1989) looked beyond commuting times and included “mode of transit” in his explanation of the effects of spatial isolation on black employment. He found that in New York, Chicago, and Philadelphia, high percentages of unemployed black males lived in households without a private vehicle. This preliminary finding that low rates of auto ownership may be associated with negative labor market outcomes leads him to the conclusion that automobile ownership is increasingly a necessary

component of finding employment in a suburbanizing economy. Thus, he uses the existence of an automobile mismatch as evidence of a spatial mismatch.

Taylor and Ong (1995) combine the findings that commute times do not vary according to income or race, and the findings that automobile ownership is a critical component of employment and the search for work. Unlike Kasarda, however, Taylor and Ong use the importance of the automobile to coin the term “automobile mismatch”. Looking at data from the American Housing Survey in 1977-8 and 1985, they found (similar to Gordon, Kumar and Richardson) that the commute *distances* were converging over time for blacks, whites, and Hispanics, with minorities experiencing higher growth rates of commute distance. This same data set (unlike Gordon, Kumar and Richardson) showed that the commute *times* for these three groups were not converging, but rather that blacks maintained higher commute times with respect to whites, despite the fact that commute distances were still shorter than whites.

Thus, it seems that blacks and Hispanics are covering greater distances to get to work and catching up to levels of white commute distances, but their time spent in transit is not approaching parity with whites. This result, Taylor and Ong point out, is largely due to transportation mode and speed, with minorities depending on slower, cheaper public transportation in much higher percentages. Based on these findings, they conclude that space can hardly be the primary barrier to employment since black commutes did indeed continue to increase over time (i.e.,

they are finding and taking distant jobs). Like Kasarda, the main difference they found was the lack of automobile ownership of workers in poor neighborhoods. Thus they perceived an “automobile mismatch” more than a spatial mismatch. According to these researchers, the problem is one of poor people’s inability to overcome increasing commute distances, and more importantly commute times, with the range of transportation options available. Here, the problem with housing segregation is that in lieu of viable, efficient, vastly extensive and affordable public transit serving poor neighborhoods, residents cannot afford the only other option: private automobiles to take them to work.

What this line of reasoning implies for policymakers is that inner city residents are indeed able to *find* jobs, but not able to improve their lives through employment because of disproportionately increased time spent in transit. These transportation studies ask the question: could results similar to those achieved through housing mobility programs such as Gautreaux or Section 8 be achieved for more individuals at less cost through either improved transportation or through increased auto ownership?

### ***Urban Reinvestment***

The spatial mismatch hypothesis is based on a locational-economic model that identifies job opportunities in growing suburban areas. There are significant arguments to be made in favor of reorienting or refocusing the demand side of the labor market rather than the supply side. In other words, the literature shows some evidence that efforts to promote job opportunities within ghettos and other kinds of poor

neighborhoods -or, altering the suburban-ization of employment trends - may be an effective way to link the un- and under-employed to jobs with firms that are locating and growing in the suburbs.

This critique comes out of two bodies of place-based research: the ethnic enclave economic literature and the community reinvestment/community development literature. Analysts of ethnic enclaves argue that spatial isolation from new employment opportunities has not disabled poor but industrious immigrants isolated from the mainstream economy in enclaves from building on ethnic relationships to pool financial and other resources to promote local business development and jobs (Light and Karageorgis 1994; Waldinger 1986).

Despite the controversy regarding the ability of enclaves to provide stable employment for low-income residents (e.g., Ong 1986), there is some evidence that, despite racism and spatial isolation, Jewish, Japanese, Korean, and Cuban ghettos have been able to provide employment for low-income residents despite high levels of residential segregation and low levels of capital available for investment (Portes and Manning 1986). One need not adhere to the idea that ethnic enclave economies are a failsafe mechanism for providing local employment to understand that spatial isolation has not incapacitated low-income racial minorities from creating labor market opportunities. Thus, to maintain, as the advocates for spatial mismatch do, that residential segregation is the major force denying the urban African American labor force jobs is to ignore empirical evidence that local capital and employment opportunities can be generated *within* enclaves

isolated from the mainstream. In other words, why have urban blacks not formed capital pools and indigenous “ethnic specialty” industries to the same degree that other ethnic groups have?

The second category of urban reinvestment critiques relates to the first in its focus on efforts to capitalize ghettos. The so-called community reinvestment/community development literature focuses on the existing assets of residentially segregated urban minority neighborhoods (primarily black and Hispanic) and makes the case that indigenous business development can provide economies of scale to increase neighborhood employment. Promoter’s arguments of such community-based capitalism come from urban policy research (Harrison 1974a), social activist and justice literature (Foster-Bey 1997) and, surprisingly, business literature (Porter 1997). These analysts also base their ideas on the concept that local social and entrepreneurial capital can be made to stimulate economic activity significant enough to provide employment. As with the ethnic enclave literature, this approach to urban minority unemployment is controversial—here because of its reliance on initial public funds in the form of Empowerment Zones, community capacity-building grants, and other investments that are seen to run counter to conventional market trends.<sup>9</sup> However, there is enough evidence to indicate that capitalistic initiative within ghettos can shift some of the burden of employment from the distant suburbs to the ghettos themselves. For this reason urban reinvestment has been the major place-based anti-concentrated poverty alternative to residential dispersal programs such as Gautreaux and Section 8.

Unlike residential mobility programs, Empowerment Zones have not been systematically evaluated. However, anecdotal evidence suggests that their effect is largely political and economically unsustainable. However, the urban reinvestment critique suggests to the policymaker that infill development, by attracting both businesses and middle-class residents, could play the inverse role of housing dispersal. Policies that include both processes would be based on matching preferences, and could possibly address the brain-drain problems that Wilson (1996) identified without resorting to policies to constrain successful inner city residents hoping to leave the ghetto.

### ***Non-Spatial Discrimination***

Discrimination in hiring practices is a logical and compelling argument to explain the high unemployment rates of inner city residents that some claim overrides any spatial disadvantages that urban minorities face. However, this kind of discrimination should be distinguished from housing discrimination, which is a central element of the spatial mismatch hypothesis. Moreover, it should be seen as general societal discrimination rather than discrimination based on unfamiliarity, which was tested for by Kain (1968) and others. Compared to the time when Kain wrote his initial analysis, explicit and categorical racism and discrimination in the labor market have likely diminished in importance. However, the case has been argued persuasively that non-housing discrimination still may play at least as great if not a greater role than housing segregation in the labor market outcomes of urban blacks and Latinos.

Stoll (1999) found that having a suburban residential location does improve labor market opportunities for all young males, yet more for whites than comparable black youth. From his findings he concludes that racial discrimination is at least as important as suburban location in labor market outcomes for young black men, and advocates for policies that integrate residential mobility programs with antidiscrimination enforcement efforts in suburban labor markets. While similar to Kain's (1968) finding, Stoll argues for policy prescriptions that integrate explicit antidiscrimination efforts with residential mobility efforts, rather than assuming, as Kain seems to, that increased mobility will *de facto* reduce discrimination in employment. Stoll's finding is also similar to Harrison's (1974b), who found that suburban minority residents experience greater unemployment and lower earnings than similarly skilled urban minorities, and claimed that discrimination plays an important role in explaining this difference.

Cohn and Fossett (1998) found that in Detroit and Atlanta, discrimination played a significant role in the labor market by looking at the effect of racial composition of a given tract on the percentage of black employment within that same tract. They claim that suburbanization of jobs from cities has negatively affected blacks not so much because it has increased commuting time, but rather because the process has shifted jobs to locations where black workers are more likely to be discriminated against.

The most effective critic of the spatial mismatch hypothesis on the basis of discrimination is Ellwood (1986), who coined the term "race not space" based

on his study of urban black youth unemployment in Chicago.<sup>10</sup> After finding that race contributed to unemployment more than did location, Ellwood stated that preliminary indicators showed that the case would likely be replicated in other major metropolitan areas. Ellwood's position is corroborated by Leonard (1985) in his study of Los Angeles, where, like Ellwood, he found that the racial composition of a census tract accounts for more of the variation in employment-population ratio than does either personal characteristics or location.

Other kinds of discrimination factors may also play a role in limiting opportunities for inner city residents. Western and Beckett (1999) have documented the important effect that high rates of inner city incarceration have on: 1) the measured rates of inner city unemployment; and 2) the future employability of primarily young black and Hispanic men. Their analysis links racism in the criminal justice system to labor market opportunities, and like Stoll, implicitly asks the policymaker to prioritize the relative roles of societal racism and locational disadvantages, and to think about labor market discrimination against individuals that embody a particular combination of race/class/age/location rather than categorical race discrimination.

### ***Poverty Reduction Critiques***

The spatial mismatch hypothesis analyzes the labor market experience of low-income minority urban residents. In doing so, it seeks to explain some of the primary causes of urban and concentrated poverty. Its underlying assumption is that a lack of jobs

is the main cause of minority poverty. Although this assumption seems valid, there is emerging research on the causes of poverty and wealth inequality that undermines spatial mismatch as an effective theory for developing anti-poverty policy.

Oliver and Shapiro (1995) have been the most prominent advocates of an assets-based approach to wealth inequalities between African Americans and European Americans. Rather than looking at the incomes of poor people, which measure the day-to-day income and expenditures of a household, they choose the net worth and net financial asset portfolios—i.e., homeownership, savings, stock portfolios, car ownership, and other investments—measures which imply an ability for capital accumulation and transfer to others. This perspective questions the labor market focus of the spatial mismatch hypothesis on the basis that the measure of an individual's access to a job may not even be the most important factor in his/her well-being.

Similarly, McMurrer and Sawhill (1998) downplay the importance of income in measuring the well-being of an individual and his/her opportunities for permanently escaping poverty. Their focus on long-term trajectories of individuals through social classes, educational experience, home environment, and even genes as important influences in an individual's well-being implies that a narrow focus on job opportunities is simply a measure of potential income, or day-to-day spending money, and not wealth. These two critiques, while certainly related to the importance of jobs and unemployment, do question the priority placed on locational relationships between home and work.

These critiques of the narrow focus of the spatial mismatch hypothesis as an anti-poverty policy are extended by Bernstein's (1999) analysis of the economic value of urban neighborhoods and purchasing power that accounts for space, non-work-related mobility, and consumer price indices. Bernstein found that non-work-related trips increasingly outnumber work commutes and therefore any analysis of spatial mismatch and its relationship to poverty must include an analysis of access to necessary non-work-related services such as daycare, groceries, health care, leisure, and a whole constellation of other services that ghetto residents pay for. Unwittingly, his call for an analysis of spatial mismatch in non-work-related trips opens an interesting set of questions about cost-of-living. Presumably, the costs associated with living in segregated housing ghettos are different from the cost of living in job-rich suburban neighborhoods. It is not clear which would be higher, but before the spatial mismatch hypothesis can be confirmed as an effective basis for anti-poverty policy, such an analysis would need to show that the change in personal costs associated with either gentrifying existing ghettos with job-rich firms or dispersing ghetto residents to the suburbs would not significantly rise.

Although none of these researchers directly confront the question of spatial mismatch, each provides compelling alternatives to the spatial mismatch hypothesis as an appropriate basis for minority poverty reduction policy. Again, it should be reiterated that this critique is not of the spatial mismatch hypothesis' role in labor market outcomes directly, but of its importance in poverty policy.

### **A Policy-Relevant Research Agenda**

The purpose of this essay has been to use the spatial mismatch hypothesis as a springboard for a policy discussion on the relative position of location (place) in determining labor market opportunities and anti-poverty policy, and to ask policy-relevant questions about relative priorities based on number of critiques of the spatial mismatch hypothesis. Ever since the concept of a spatial mismatch was defined by John Kain in the late 1960s, the claim that location and relative proximity of residence and labor market opportunity plays a role in the labor market outcomes of low-income, urban minority residents has never been seriously disputed. The fact that many of the above critiques of the spatial mismatch hypothesis come from overall advocates of incorporating locational and proximity characteristics in policy recommendations (e.g., Kasarda 1989; Stoll 1999) is evidence that the issue is not *whether* spatial mismatch matters for segregated and poor urban minorities, but rather how concerned should policymakers be about the implications of spatial mismatch and the degree to which it should drive public policy. In sum, the evidence shows clearly that there is a spatial mismatch related to concentrated urban poverty, and that this finding should be a central tenet of any anti-poverty policy. However, anti-poverty policy should not be spatial to the exclusion of other relevant factors.

The spatial mismatch hypothesis literature seems to be at a crossroads, where its relevance will depend on researchers' abilities to update its core concepts to several new conditions and concretize general policies

that incorporate simultaneously the spatial and non-spatial aspects of urban poverty. As the American economy and the structure of minority employment and residential opportunities changes significantly, and the physical layout of urban areas is transformed, the tenets of the spatial mismatch hypothesis are challenged. For example, the most popular relevant and current debate is over the role of electronic information and communication in the increasing irrelevance of location. Does spatial mismatch no longer matter if most people will be telecommuting in the next ten years? Perhaps most importantly, however, amidst a national economic boom there is growing evidence of general inequality and social isolation in the United States (Bernstein et al. 2000; Frank and Cook 1995). Even though this disturbing trend is likely both a cause and a result of the location of opportunities, it is important for a policymaker to know what drives what. Is the locational segregation of urban growth simply one of many current inequalities driven by external, policy-immune forces, or does locational segregation create and exacerbate other kinds of inequality?

Three trends inextricably bound to increasing inequality are only lightly touched on in the conventional spatial mismatch literature: trade integration, changing urban spatial regimes, and governmental devolution. First, the national and global economy has undergone significant changes over the past twenty-five years, many of which have been particularly detrimental to urban unskilled minorities. Fordist production systems have, in many cases, been replaced by clusters of firms based on flexible

specialization; many lower-skilled jobs have been upgraded through technological advances within and across industries; global trade relationships have opened American labor markets to more competitive production markets; and the proportion of service-based sectors has grown in importance.

Second, the number of major American cities has increased significantly since the seminal first generation of spatial mismatch studies were conducted. However, these cities do not necessarily represent a multiplication of the same urban regime that dominated in the 1970s. Phoenix, Denver, and Miami all have significant populations of concentrated low-income urban minorities. However, since many of these cities are themselves large agglomerations of suburban growth, it would be difficult to characterize their problem as the migration of blue-collar job opportunities out of the reach of central city minorities through suburbanization.

Finally, the political and policy environments of the US have also changed significantly since the 1960s, when federal programs were a preferred method of alleviating employment and income problems, with mixed effects (see Anderson 1964). Today, a strong devolution trend is underway that may influence the spatial mismatch hypothesis' relevance in policy analysis. On the one hand, since the evidence of spatial mismatch seems to be somewhat uneven based on what city is studied and what variable is measured, devolution of decision-making to the state level may open a window for spatial mismatch-based policies to be implemented only in cities and regions



where it clearly makes sense. On the other hand, devolution may simply mean the withdrawal of most anti-poverty policies.

The three examples I have noted are only the starting point for longer lines of inquiry that concerned researchers—and specifically urban planners—can productively take. Such lines of inquiry could move the debate beyond the simple question of “does residential segregation negatively influence job opportunities and poverty?” to the more relevant questions of “what policies and institutions can be influenced and developed to coordinate spatial and non-spatial programs for poverty alleviation?” For example, can policies for public transit development be matched with tax incentives that attract labor markets in which women traditionally succeed? Can skills training be targeted toward inner city residents and combined with job placement and automobile access? In what ways can antidiscrimination laws or police reform be linked to anti-poverty policy? Some governments and community-based organizations have already begun to develop such innovative programs to fight concentrated poverty. Often, however, these efforts require systematic analysis beyond the institutional capacity of the involved institutions. Thus, the opportunity for researchers to conduct applied studies on these integrated policy approaches is a natural area for those interested in concentrated poverty and spatial mismatch to explore with clear relevance for policy.

## Endnotes

<sup>1</sup>See, for example, Frey and Fielding 1995; Galster and Mincy 1993; Jargowsky 1997; Kasarda 1993; Massey and Denton 1993; Mayer and Jenks 1989; Sawhill 1988; Wacquant and Wilson 1989; Wilson 1987, 1996.

<sup>2</sup>A high-poverty census tract is defined as those having greater than forty percent of the population living below the poverty line.

<sup>3</sup>Kain’s original study in 1968 grew out of the need for a better understanding the urban crisis of the 1960s, which became manifest in widespread riots in Los Angeles and around the country (Kain 1992). Thus, much of the attention given to the original spatial mismatch hypothesis can be attributed to heightened public awareness of urban problems and the ability of the spatial mismatch hypothesis to appeal to non-experts in the public realm.

<sup>4</sup>Although concentrated poverty affects many urban minority populations, the spatial mismatch literature has historically focused on African Americans and occasionally on Hispanics. As I mention in the conclusion, this is a current major shortcoming of the hypothesis as cities fundamentally shift in their demographic characteristics.

<sup>5</sup>Counties assessed were Los Angeles, Alameda, San Bernardino, and San Joaquin.

<sup>6</sup>For example, Kain 1968; Stoll 1998, 1999; Kasarda 1989; Cooke 1993; Johnson and Oliver 1991.

<sup>7</sup>As defined in Ehrenberg and Smith (1997) to be a general shift in the labor market privileging one skill-level of worker over another.

<sup>8</sup>It is important to note here that 1) these shifts are relatively unavoidable since international competition and technological change fall largely outside of effective governmental action, and 2) such shifts often lead to price reductions in basic consumer goods that disproportionately benefit the poor.

<sup>9</sup>Although based on the model of ethnic enclave economies, this line of reasoning admits to the need for initial capital to enable indigenous development.

<sup>10</sup>It should be noted that Kain (1992) himself felt that Ellwood's criticism has stood as one of the most effective against the spatial mismatch hypothesis. Perhaps it is telling of the close interaction between the theoretical research and the political process that pithy, reasonable and clear statements oriented towards non-expert consumption have been a very real part of the importance of the debate.

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The spatial mismatch hypothesis (SMH) argues that low-skilled minorities residing in US inner cities experience poor labour market outcomes because they are disconnected from suburban job opportunities. This assumption gave rise to an abundant empirical literature, which is rather supportive of the SMH. Surprisingly, it is only recently that theoretical models have emerged, which probably explains why the mechanisms of spatial mismatch have long remained unclear and not properly tested. This article presents relevant facts, reviews the theoretical models of spatial mismatch, confronts their pr