

## **Employment Strategies for the Most Vulnerable Communities: an Inclusive Hiring Plan**

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The U.S. communities most vulnerable to the challenges of the upcoming recession and jobs crunch are predominantly minority communities plagued by concentrated poverty, widespread unemployment and/or marginal attachment to the labor force, and will most certainly bear a disproportionate brunt of economic crisis, as they have in previous economic downturns. The economic dislocation of a large fraction of the work force (blacks and Latinos make up approximately 30% of the U.S labor force) in the form of unemployment or poverty-level wages will impact society as a whole. The percent of unemployed blacks is twice that of whites and has been so since the 1970s. To address this problem policy makers and researchers have focused on racial differences in skills and education as the primary explanation for racial employment inequality and consequently advocate increasing education and training of vulnerable populations as a panacea. Skills-deficit explanations do not fully account for these disparities. The racial convergence in human capital characteristics has not led to a commensurate convergence in unemployment rates or earnings over the past 30 years. Despite a narrowing of the black-white education gap, the black-white *gap* in unemployment remains largely unchanged; thus educational disparities were only part of the problem. Despite substantial public investment in education over the past 30 plus years, this approach has failed and is likely to produce modest results at best in the near future specifically because a substantial portion of jobs created in the current economy are low skilled jobs. Research that finds workers with same education have different employment outcomes offers further evidence that other mechanisms in the labor market drive inequality of access to jobs among workers.

Alternatively, researchers are identifying the ways that isolation and exclusion constrain the full economic participation of these communities. The purpose of this memo is to broaden the lens to identify a more comprehensive set of underlying causes to devise more effective policy solutions to these problems. It will describe the specific forms of isolation and exclusion that hamper viable employment opportunities for marginal minority communities and propose two types of solutions to circumvent these barriers and provide concrete “foot-in-the-door” opportunities.

**Isolation:** *The social and economic isolation resulting from residential segregation effectively limits minorities’ access to job opportunities.* Closed hiring pools, selective-recruitment networks, and selective posting of job openings are all mechanisms enabled by the structure of residential segregation that bar access to jobs for blacks. Researchers have observed a phenomenon called spatial signaling in which employers disqualify job applicants not only by their race, but by their residence in the metropolitan area. Resources that are crucial to preparing youth for the labor market – knowledge and information about jobs and the labor market, physical access to jobs, socialization about work (a form of cultural capital), social networks, and education – are unequally distributed across lines maintained by residential segregation. Residential segregation isolates predominantly black and Latino communities from mainstream local economies and limits spatial access to jobs (i.e. commuting distances) creating a barrier to blacks’ labor market opportunities. Some studies have found that even when there are numerous entry-level jobs near black neighborhoods, blacks still have significantly higher unemployment rates. Further research has found that residential segregation of the metropolitan

area in which blacks and whites reside prior to or upon entering the labor market as young adults, affects their likelihood to work in a black-typical or white-typical occupation later in their careers, after controlling for individual factors.

**Exclusion** from lucrative job information networks is another factor limiting access to good jobs for marginalized communities. Most workers utilize social networks in their job search relying on personal contacts, family, neighbors, and friends to access information about jobs; consequently social networks are racially segregated. The quality of the information in these job information networks varies substantially and has been found to be a factor in the individual's employment outcomes as the information tends to reflect the employment characteristics of the people in the network. Research has documented a higher reliance on networks for low skilled workers, and that networks are more important for blacks than whites, for workers with less education of both races, and for Hispanics compared to whites and blacks, especially immigrants and those with poor English skills. Blacks and Latinos who use predominantly black networks are less likely to be employed, and when employed, earn lower wages on average than those who do not. Social networks artificially restrict the competitive search in the larger labor market for low wage workers by crowding these workers into fewer occupations, consequently lowering their wages.

**An Inclusive Hiring Plan:** *I propose two types of solutions to address the problem of exclusion and isolation: coordinated information distribution and employment intermediaries.* These suggestions rely on existing models that are effective, but simply are under-resourced and not tied into a centralized structure.

*Coordinated information distribution:* the idea here is to formalize and coordinate the informal networks along which job information is passed and make it accessible to these communities. Use networking websites (such as the internet community created on barackobama.com) and other advanced information systems and media such as radio as a central place to post job openings. These centralized information systems will incentivize employers to publicly make available more info about job openings by reducing their recruitment costs especially for small business owners who typically have to pay to post jobs in newspapers or fee-for-service websites such as monster.com. Create employment centers equipped with computing facilities with high-speed broadband internet connections directly *in* low-income communities, housing projects, etc. Expand incentives for employers who begin or expand businesses and hire in low income communities. Coordination is a key role government can play to increase access to information about job openings.

*Employment intermediaries:* Intermediaries are individuals or organizations who make connections between potential workers and employer and bridge the gulf between these two actors caused by isolation. Again, research shows that this happens informally, but that minority communities often are systematically excluded from this process, thus the idea would be to formalize it. Community organizations that do job training in these communities serve as a go-between for employers and introduce them to workers they would typically ignore and vouch for them ensuring they show up and meet employers' needs. Additionally, community boards made up of community members who meet regularly with local employers may begin creating networks in these communities along which valuable job information is shared.

The chief strategy of these suggestions is to make hiring easier for employers as research shows they use shortcuts such as word-of-mouth recruiting, which isolates job information among a smaller, selective group of workers, to lower their recruitment costs. Systematizing the process will encourage more objective, fair access to job openings.

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