Neighborhood Race Mixing and Employment Outcomes

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By

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Abstract

This study examines the relationship between neighborhood racial composition and employment rates for minority groups. Employment rates for all minority subgroups—except black women—are highest when they live in neighborhoods that are predominately white (>90% white). Black women’s employment rates are no different when they live in predominately white neighborhoods than when they live in majority minority neighborhoods (10-50% white). Black women are only worse off living in predominately minority (>90% minority) neighborhoods. I present possible explanations behind minority employment success when living in predominately white areas, as well as why black women may not benefit as much from living in such neighborhoods.
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Acknowledgements

Many thanks my advisor, Greg Acs, for his valuable guidance, to Marge Turner for providing her data set and advice, and to Harry Holzer for his feedback.
Introduction

Racial segregation has been the focus of a great deal of research in recent years. Researchers find adverse effects for residents in heavily-concentrated urban minority neighborhoods (Cutler and Glaeser 1997). Crime, juvenile delinquency, teen pregnancy, and low educational attainment are disproportionately found in minority areas with extreme poverty (Logan and Messner 1987, Parker and Pruitt 2000, McDonald and Grover 2005). While much of the recent neighborhood effects literature focuses on the negative effects of concentrated poverty (Brooks-Gunn et al. 1997a) and residential segregation of certain racial groups (Massey and Denton 1993), no one has attempted to analyze the relationship between different distributions of neighborhood racial diversity and employment outcomes for subgroups of people.

My thesis examines neighborhood racial mixing and its relationship to employment rates for subgroups of the population—based on race and gender—living in the 100 largest metropolitan areas in the United States. I find that all subgroups have their highest employment rates when they live in neighborhoods that are over 90% white, except for black women whose employment rates are only significantly lower in neighborhoods where the racial makeup is over 90% minority.

Literature Review

A review of the existing literature on housing policy clearly identifies racial and economic isolation as problematic for poor minority households. Crime, high rates of public assistance, and the perpetuation of racism have all been associated with high
concentrations of poverty and unemployment. A variety of unhealthy outcomes for children and adolescents has also been linked to highly-concentrated poor minority neighborhoods. The list includes infant mortality, low birth weight, teenage childbearing, high rates of high school dropouts, crime, and adolescent delinquency (Sampson et al. 2002).

Early neighborhood effects literature emphasizes the importance of place on social outcomes. Wilson (1987) argues that the increasing “social isolation” of the poor, especially the black poor, has greatly contributed to their poverty. These are the “truly disadvantaged” who lost their manufacturing jobs and have been forced into deeply concentrated pockets of poverty in central cities. Sudden social dislocations associated with unemployment left poor blacks in isolated communities that lack networking opportunities, positive role models, and social services (Wilson 1987).

Most of the literature suggests that living in racially and economically diverse areas positively affects residents’ chances for success and healthy outcomes. “The mechanisms by which these concentration effects are transmitted have not yet been clearly identified; thus, it is not clear what it is about socioeconomically heterogeneous communities that permits better outcomes,” (Rosenbaum 1998). The extent of economic heterogeneity necessary for optimal employment outcomes, however, is unclear.

**Racial Segregation**
Expanding on Wilson’s concept of the socially isolated black underclass, Massey and Denton (1993) argue that residential segregation is the number one cause of poverty and social ills that disproportionately plague blacks. In their highly influential book, *American Apartheid*, the authors cite systematic discrimination limiting black mobility as the root cause of the residential segregation.

Camille Charles (2003) lays out the prevalent perspectives on residential segregation. In her explanation, she defines the two main causes of residential segregation:

1. **Spatial assimilation** assumes that residential segregation is a result of different lifestyles and socioeconomic achievement patterns. Because whites generally have higher incomes and educational attainment than non-whites, they prefer to live near people with similar socioeconomic achievement. Proponents of the spatial assimilation theory argue that racial integration requires improving outcomes like employment and education for minorities.

   Ellen (2000) suggests that residential segregation between blacks and whites may have less to do with “white flight,” than with “white avoidance” (the reluctance of whites to move into areas of black concentration). She hypothesizes that ”white avoidance” is a result of negative stereotypes about black neighborhoods and the perceived threat to property values of houses in predominantly black neighborhoods.

2. **Place stratification** is categorized by discriminatory lending practices, realtors, and zoning regulations that have led to a dual housing market that limits blacks’ housing
mobility options. The structural forces that exclude minorities from white neighborhoods have perpetuated the minority poverty cycle.

Farley et al. (1978) introduce a novel method for measuring views of residential segregation preferences. In the experiment that Farley performed to judge neighborhood desirability by racial preference, both white and black respondents were asked about their willingness to live in neighborhoods with varying racial compositions. While whites were reluctant to move into areas with blacks, blacks expressed a clear preference to live in integrated neighborhoods. Whites attitudes, however, appear to be changing. Relative to the 1970s, whites have increasingly become more comfortable living near blacks. This improvement still leaves much to be desired for policy makers pushing for integration. New studies using the Farley method have shown that, when asked, 60% of whites are comfortable with neighborhoods when one-third of residents are black, but only 45% of them are willing to move into the same neighborhoods (Charles 2001).

Charles (2000) introduces Hispanics and Asians into the Farley experiment and finds that whites exhibit the strongest preference for same-race neighborhoods and blacks expressed the strongest desire for racial integration. Ross (2001), however, finds that African-Americans are just as likely to choose to live in segregated neighborhoods as whites.

Suburbanization of Jobs

As transportation and other living expenses became cheaper in the mid-20th century, people began to flock to suburban areas where they were able to buy cheaper
land and build bigger homes, yet still work in the central city. Initially, most of the suburban expansion involved white middle class families, but as cities began to deteriorate because of lower tax bases and an increasingly segregated population, white upper-income residents migrated to the American suburbs as well. The proportion of residents of the ten largest MSAs living in the central city declined from 53% in 1970 to 42% in 2000 (Gobillon et. al, 2005). The combination of a smaller population and the decline of several industrial workforce centers left many cities dilapidated by the late 1980s.

The shift in economic resources to the suburbs created a strong demand for service-related businesses that would cater to middle and upper-income residents (Thurston and Yazer, 2004, White, 1999). Other firms have relocated to the suburbs from the central business district because of cheap land, low crime, and lower production costs.

With new businesses come new jobs. The suburbanization of jobs in the United States has increased dramatically since 1950. In 1980, central cities claimed only 50% of MSA jobs; in 1950, it was 70% (Mills and Lubuele, 1997). For the ten largest MSAs, suburban jobs increased 3% from 1980 to 1990, whereas central city jobs only increased .8% (Gobillon et. al, 2005).

The service industry is larger than ever in America’s suburbs in an effort to meet wealthy suburban residents’ demands for services. Because many areas have more service jobs than available employees, firms have been forced to look outside of their communities to find low-skilled workers willing to accept relatively low wages. The
suburbs attracted 79.6% of recently-filled low-skilled jobs in a polled sample of MSAs in the early 1990s (Stoll, Holzer, and Ihlanfeldt, 2000).

One of the biggest barriers for firms seeking low-skilled workers is what Kain (1968) describes as a spatial disconnection between inner-city blacks and suburban jobs. Researchers eventually dubbed the disconnect spatial mismatch.

**Spatial Mismatch**

Spatial mismatch has been cited as one of the primary explanations for low minority employment rates. The spatial mismatch theory examines the proximity of jobs to jobseekers. Components of spatial mismatch include long commutes, reduced job search efficiency, unreliable employees, and high job search costs due to distance from jobs, and perceived customer discrimination from employers (Gobillon et. al, 2005).

When job seekers live long distances from jobs, they experience difficulty both finding and obtaining employment. Ihlanfeldt (1997) finds that physical distance from jobs hinders available information about job vacancies. Minorities living in central cities encounter high costs when looking for work in the suburban areas and they may not be aware of job opportunities. Additionally, minorities living in central cities often lack personal connections with white suburban residents and employers who have information about existing jobs.

One of the reasons that minorities have a difficult time both finding and maintaining suburban jobs is a low rate of car ownership and an often expensive,
unreliable, and time-consuming public transportation system. In 1990, 30.4% of all black households did not own a car, whereas only 8.7% of white households did not own one (McGuckin, 2000). Only 2% of white workers took public transportation to work in 1995, whereas 12% of black workers relied on public transportation to get to and from work (Gobillon et. al, 2005).

The last dimension of the spatial mismatch hypothesis addresses perceived customer discrimination. Holzer and Ihlanfelt (1998) find that if a job involves customer contact and employers think their customers have discriminatory feelings towards minorities, then the employers are less likely to hire minority workers. Since most people going to suburban service industry places are white and since whites are more likely than blacks to discriminate against blacks, the blacks are the ones who lose the jobs. They also suggest that black men are the group most discriminated against by employers.

**Social Interactions and Labor Market Outcomes**

Most studies find a positive relationship between neighborhood characteristics and labor market success (Ellen and Turner 1997). Researchers have attempted to detect the effects of social interactions among neighbors on labor market outcomes. The presence of social interactions and informal referral effects in the labor market between neighbors has been found to contribute to the clustering of their work locations. The referral effects are strongest between people with similar socio-demographic characteristics and a strong attachment to the labor market (Bayer et al. 2004).

**Mixed-Income, Mixed Results**
Policymakers interested in the effects of racial integration can look to the literature on mixed-income communities as this literature often includes racial integration as well. There are two integration methods to mixed-income communities: integrating neighborhoods and integrating housing developments. Although the majority of mixed-income studies have been focused on housing development integration, there have been a few assertions about the viability of mixed-income neighborhoods. Research points to positive outcomes for low-income households who relocate from a highly-concentrated poor neighborhood to a mixed-income community (Brophy and Smith 1997).

In order to create a functional community, mixed-income housing must have an adequate number of higher-income households. Brophy and Smith (1997) argue that stacking mixed-income communities with a gradual income climb, represented by moderate income tiers, is most effective. There will always be a risk that areas with too many very-low-income households will dissuade middle- and high-income families from moving into and staying in those neighborhoods. Too much poverty reproduces all of the negative social effects that mixed-income neighborhoods attempt to alleviate. If there are too many high-income households in a neighborhood, the cost of living rises and creates an unsustainable living environment for very-low- and low-income households.

This logic can also be applied to mixed-race housing integration to a lesser extent. Although racial integration into white, upper-income neighborhoods is more visible than
economic integration, there is a certain threshold of majority “tolerance” at which point, neighborhoods begin to experience “white flight” (Massey and Denton, 1993).

Social Capital and Collective Efficacy

It cannot be assumed that the composition of different racial makeups in a community alone will create positive social outcomes for low-income residents. A relationship between residents of different races may be delicate and difficult to obtain. Sampson (2004) introduces the concept of collective efficacy, the linkage of mutual trust and shared willingness to intervene for the public good, into the housing policy debate in an attempt to explain the reasons for successful mixed-income and mixed-race interactions.

Briggs (1998) emphasizes the role of social capital as a tool for networking and support. Although mixed-income housing programs provide low-income residents with access to better schools and closer proximity to other resources, Briggs raises concerns about barriers to these resources and limited interaction with more affluent neighbors. Living in an area with abundant amenities may not mean instant access to those amenities.

Research Questions Raised

Although the research on residential segregation in neighborhoods is abundant, pending questions still exist about the effects of different levels of neighborhood and
racial integration on certain subgroups. My research seeks to explore the economic effects of mixed-race living.

**Methodology**

The methodology section lays out my hypothesis, analytical approach, and the regression models that I use to test my hypothesis.

**Hypothesis**

This paper analyzes the relationship between neighborhood racial composition and employment rates for white, black, and Hispanic males and females. I expect that blacks and Hispanics living in neighborhoods with a majority-white population will have higher employment rates than their counterparts living in predominately white, predominately minority, or majority minority racial makeup.\(^1\)

**Data**

Data for the analysis of the effect of race distributions on different subsets of the population come from the 2000 Census. All data are analyzed at the tract level, which is a small geographic area defined by the Census that has an average population of 4,000 people and is typically used as a proxy for neighborhood. The race distribution categories were compiled by Margery Turner and the Urban Institute (Turner 2005).

\(^1\) Predominately white=>90% non-Hispanic white; majority white=50-90% non-Hispanic white; majority minority=10-50% non-Hispanic white; and predominately minority=<10% non-Hispanic white.
Variables of Analysis

Employment Outcomes

I focus my regression analysis on six subgroups in each Census tract: black men, black women, Hispanic men, Hispanic women, white men, and white women. These subgroups are analyzed in separate OLS regressions so that their isolated outcomes can be evaluated. The dependent variables are defined by the employment rates (total employed/total in labor force) of each subgroup in the census tracts from the 100 largest metropolitan areas. I use employment rate rather than employment-to-population ratio because I do not want to count individuals who were not seeking work (e.g., stay-at-home mothers).

I run two models and 18 regressions in my analysis. The first model runs nine separate regressions for total blacks, whites, and Hispanics, and a separate regression for black, white, and Hispanic males and females with Predominately White, Majority White, Majority Minority, regional control variables, and median household income for each tract as the independent variables. The baseline variables are Predominately Minority and Northeast. In the second model, I add a variable for the Percentage of Tract that is Very-Low Income and run the same nine regressions. The dependent variable is always employment rate for the population subgroup for each tract.

Figure 1 demonstrates the model used for the black male employment analysis:

Figure 1
$\text{Emp.blkmale} = \beta_0 + \beta_1 \text{majwhite} + \beta_2 \text{majmin} + \beta_3 \text{predomwhite} + \beta_4 \text{medhhinc} + \beta_5 \text{west} + \beta_6 \text{south} + \beta_7 \text{midwest} + \mu$

Figure 2 demonstrates the original model with an additional poverty control variable:

$\text{Figure 2}$

$\text{Emp.blkmale} = \beta_0 + \beta_1 \text{majwhite} + \beta_2 \text{majmin} + \beta_3 \text{predomwhite} + \beta_4 \text{medhhinc} + \beta_5 \text{west} + \beta_6 \text{south} + \beta_7 \text{midwest} + \beta_8 \text{pctverylowinc} + \mu$

Tracts Dropped

Not all tracts in the 100 largest MSAs are used in the analysis. Tracts are dropped for two reasons: (1) there are fewer than 50 members of a population subgroup or (2) employment rates in the fall below 6%. A tract-level employment rate cannot be measured with adequate precision if there are fewer than 50 members. Further, tracts with very low median household incomes (<$6,000) are dropped because they are unusual and may have characteristics affecting employment rates that I cannot observe. I drop 65,251 of 316,595 total tracts due to these two criteria. See figure 3 for a complete list of tracts dropped.

$\text{Figure 3}$

Tracts with fewer than 50 people or for each subgroup or <$6k median HH income for each tract
<table>
<thead>
<tr>
<th>Variable</th>
<th>Original Data Set</th>
<th>Number of Tracts Dropped</th>
<th>Data Used for Analysis</th>
<th>Percent Dropped</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Blacks</td>
<td>34,541</td>
<td>8,532</td>
<td>26,009</td>
<td>0.25</td>
</tr>
<tr>
<td>Black Males</td>
<td>32,960</td>
<td>12,166</td>
<td>20,794</td>
<td>0.37</td>
</tr>
<tr>
<td>Black females</td>
<td>31,831</td>
<td>10,981</td>
<td>20,850</td>
<td>0.34</td>
</tr>
<tr>
<td>Total Whites</td>
<td>38,030</td>
<td>827</td>
<td>37,203</td>
<td>0.02</td>
</tr>
<tr>
<td>White Males</td>
<td>37,691</td>
<td>1,144</td>
<td>36,547</td>
<td>0.03</td>
</tr>
<tr>
<td>White females</td>
<td>37,697</td>
<td>1,169</td>
<td>36,528</td>
<td>0.03</td>
</tr>
<tr>
<td>Total Hispanics</td>
<td>35,957</td>
<td>7,994</td>
<td>27,963</td>
<td>0.22</td>
</tr>
<tr>
<td>Hispanic Males</td>
<td>34,193</td>
<td>11,475</td>
<td>22,718</td>
<td>0.34</td>
</tr>
<tr>
<td>Hispanic Females</td>
<td>33,695</td>
<td>10,963</td>
<td>22,732</td>
<td>0.33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>316,595</strong></td>
<td><strong>65,251</strong></td>
<td><strong>251,344</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Turner Typologies**

Turner (2005) uses the Neighborhood Change Database developed by the Urban Institute to create typologies that document the presence of race mixing in the 100 largest metropolitan areas. The typologies are compiled at the Census tract level and categorized by the degree of race and income diversity in each tract.

**Racial and Ethnic Mixing**

Turner divides each census tract into the following categories and gives the tracts indicator variables depending on where they fall within each category:

**Racial and Ethnic Diversity:**
- Predominately White (population >90% non-Hispanic white)
- Majority White (population 50-90% non-Hispanic white)
- Majority minority (population 10-50% non-Hispanic white)
- Predominately minority (population <10% non-Hispanic white)

Figure 4 shows the racial distribution of the tracts in Turner’s data set.

**Figure 4: Number of Tracts by White and Minority Population Shares**
Results

Table 1 shows the mean employment rate for each subgroup in the analysis. Whites have the highest employment rates, followed by Hispanics and Blacks, respectively. There is no discernable difference between males and females.

### Employment Rate Means

**Table 1**

<table>
<thead>
<tr>
<th>Group</th>
<th>Employment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.88</td>
</tr>
<tr>
<td>Men</td>
<td>0.87</td>
</tr>
<tr>
<td>Women</td>
<td>0.89</td>
</tr>
<tr>
<td>White</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.94</td>
</tr>
<tr>
<td>Men</td>
<td>0.94</td>
</tr>
<tr>
<td>Women</td>
<td>0.94</td>
</tr>
<tr>
<td>Hispanic</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.92</td>
</tr>
<tr>
<td>Men</td>
<td>0.92</td>
</tr>
</tbody>
</table>
Table 2 shows the results of the regression where employment rate is the dependent variable and racial make-up of neighborhoods, region, and median household income are independent variables. The intercepts are *Predominately White* and *Northeast*.

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Black</th>
<th>Women</th>
<th>Total</th>
<th>White</th>
<th>Women</th>
<th>Total</th>
<th>Hispanic</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intercept</strong></td>
<td>0.790</td>
<td>0.770</td>
<td>0.800</td>
<td>0.840</td>
<td>0.850</td>
<td>0.840</td>
<td>0.820</td>
<td>0.830</td>
<td>0.800</td>
<td></td>
</tr>
<tr>
<td><em>Predominately White</em></td>
<td>0.043</td>
<td>0.041</td>
<td>0.023**</td>
<td>0.070</td>
<td>0.057</td>
<td>0.084</td>
<td>0.050</td>
<td>0.030</td>
<td>0.060</td>
<td></td>
</tr>
<tr>
<td><em>Majority White</em></td>
<td>0.035</td>
<td>0.032</td>
<td>0.029**</td>
<td>0.059</td>
<td>0.044</td>
<td>0.076</td>
<td>0.040</td>
<td>0.023</td>
<td>0.052</td>
<td></td>
</tr>
<tr>
<td><em>Majority Minority</em></td>
<td>0.028</td>
<td>0.029</td>
<td>0.024**</td>
<td>0.041</td>
<td>0.029</td>
<td>0.055</td>
<td>0.028</td>
<td>0.019</td>
<td>0.035</td>
<td></td>
</tr>
<tr>
<td><em>Median HH Income</em></td>
<td>0.015</td>
<td>0.018</td>
<td>0.016</td>
<td>0.007</td>
<td>0.008</td>
<td>0.006</td>
<td>0.009</td>
<td>0.010</td>
<td>0.010</td>
<td></td>
</tr>
<tr>
<td><em>West</em></td>
<td>-0.015</td>
<td>-0.026</td>
<td>-0.009</td>
<td>-0.001*</td>
<td>-0.002*</td>
<td>-0.002*</td>
<td>0.015</td>
<td>0.015</td>
<td>0.014</td>
<td></td>
</tr>
<tr>
<td><em>South</em></td>
<td>0.012</td>
<td>0.015</td>
<td>0.012</td>
<td>0.011</td>
<td>0.011</td>
<td>0.010</td>
<td>0.020</td>
<td>0.023</td>
<td>0.016</td>
<td></td>
</tr>
<tr>
<td><em>Midwest</em></td>
<td>-0.003*</td>
<td>-0.006*</td>
<td>-0.001*</td>
<td>0.010</td>
<td>0.010</td>
<td>0.011*</td>
<td>0.020</td>
<td>0.021</td>
<td>0.022</td>
<td></td>
</tr>
<tr>
<td><em>R²</em></td>
<td>0.110</td>
<td>0.100</td>
<td>0.100</td>
<td>0.160</td>
<td>0.120</td>
<td>0.190</td>
<td>0.090</td>
<td>0.060</td>
<td>0.110</td>
<td></td>
</tr>
<tr>
<td><strong>Mean of Dependent Variable</strong></td>
<td>0.88</td>
<td>0.87</td>
<td>0.89</td>
<td>0.94</td>
<td>0.94</td>
<td>0.94</td>
<td>0.92</td>
<td>0.92</td>
<td>0.91</td>
<td></td>
</tr>
<tr>
<td><strong>Sample Size</strong></td>
<td>25,778</td>
<td>20,661</td>
<td>20,733</td>
<td>37,123</td>
<td>36,487</td>
<td>36,486</td>
<td>27,782</td>
<td>22,638</td>
<td>22,660</td>
<td></td>
</tr>
</tbody>
</table>
*Not statistically significant.
**Only significantly different from *Predominately Minority*, not different from other race concentration groups.
Intercept is *Predominately Minority* tract in the Northeast.
Unless otherwise noted, each residential race group concentration is significantly different from other race concentration groups.

In Table 3, I include a control for the percent of the tract that is very low income (<$20,000) to the model in Table 2.

<table>
<thead>
<tr>
<th>Table 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Black</td>
</tr>
<tr>
<td>Intercept</td>
</tr>
<tr>
<td>Predominately White</td>
</tr>
<tr>
<td>Majority White</td>
</tr>
<tr>
<td>Minority</td>
</tr>
<tr>
<td>Median HH Income</td>
</tr>
<tr>
<td>Percent Very Low-Income (&lt;$20,000)</td>
</tr>
<tr>
<td>West</td>
</tr>
<tr>
<td>South</td>
</tr>
<tr>
<td>Midwest</td>
</tr>
<tr>
<td>R²</td>
</tr>
<tr>
<td>Mean of Dependent Variable</td>
</tr>
<tr>
<td>Sample Size</td>
</tr>
</tbody>
</table>

*Not statistically significant.
**Only significantly different from *Predominately Minority*, not different from other race concentration groups.
In model 1, I run nine regressions with employment rate as the dependent variable and race group categories, median household income, and regional control variables. In my second model, I add a variable to control for the percent of the tract that is very-low-income to the original model.

I find that all groups except for black women have highest employment rates when they live in tracts that are predominately white (>90% white). Black women have the highest employment rates in majority white tracts. This is also true in my second model when I control for very low-income tracts (though there is no statistically significant difference from predominately white and majority minority). All racial category variables were highly statistically significant (at the 99%) level.

The magnitudes on the predominately white variable in both models are highest for white females (0.084 and 0.066, respectively), suggesting that holding median household income, region, and the percentage of the tract that is very low-income (for model 2) constant, white women living in predominately white tracts have employment rates that are 8.4 percentage points and 6.6 percentage points (for model 2) higher than white women living in predominately minority tracts. Hispanic women have the biggest employment benefit relative to predominately white tracts among the minority subgroups when living in predominately white tracts with magnitudes of .06 and .043 (for model 2).
Black women are the only subgroup that does not have its biggest employment benefits in predominately white tracts. For both models, black women have .06 percentage points higher employment rates when living in majority white neighborhoods, rather than predominately white neighborhoods. Moreover, black women’s employment rates for all race concentration variables have a small difference from employment outcomes in predominately minority tracts. When *predominately white*, *majority minority*, and *majority white* are the baselines, only *predominately minority* is statistically significant from zero. As long as black women are not in predominately minority tracts, their employment rates are uncorrelated with the tracts’ racial composition.

When I control for the percentage of households in the tract that are very low-income in model 2, the effects of living in a predominately minority neighborhood on employment rates diminish for all subgroups. This implies that the omitted *percent very low income* is positively correlated with minority neighborhoods. By controlling for very low-income tracts, I control for areas like urban ghettos with chronically high unemployment rates. This allows the analysis to better focus on the true effects of racially segregated and integrated neighborhoods on employment rates. Even after I control for very low-income neighborhoods, I still find that living in predominately white areas increases employment rates by 1.9 percentage points for blacks, 3.7 percentage points for Hispanics, and 5.7 percentage points for whites.

These findings are contrary to my initial hypothesis that minorities would have most favorable employment outcomes in tracts that are majority white but not
predominately white because they might face barriers to employment like discrimination. Perhaps this occurs because there is a strong selection effect on employment rates in predominately white neighborhoods. Predominately white neighborhoods are often suburban and wealthier than non-white neighborhoods. The schools are typically better funded and the residents receive better public services than residents living in other areas. Although the model controls for median household income, there may be unobservable characteristics of people who live in predominately white neighborhoods and high employment rates could be associated with those characteristics.

Aside from a likely selection effect, there are other potential explanations for minorities’ employment outcomes in predominately white tracts. First, minorities living in predominately white areas have better access to informal white social networks that are often responsible for job leads. Although Bayer’s (2004) findings that social interactions between neighbors are strongest among people with similar socio-demographic characteristics may be true, residents of predominately minority neighborhoods may not be able to leverage jobs out of their connections. It appears that the socio-demographic similarities are less important than interacting with people who are strongly connected to the labor market.

Second, minorities living in predominately white areas may eliminate the spatial mismatch that their peers experience in tracts with fewer jobs, particularly in the service industry. Being closer to jobs eradicates long public transportation commutes, increases
knowledge about job opportunities, and improves relationships between minorities and their white neighbors with job connections.

Lastly, minorities living in predominately white neighborhoods may have a greater incentive to find employment in order to avoid perpetuating the negative stereotypes that have been associated with minority immigration into predominately white neighborhoods. Massey and Denton (1993) describe a perception by whites that minority neighbors decrease property values and bring other problems to their neighborhoods. Minorities living among large numbers of whites may feel pressure to disprove those stereotypes and take additional steps to become model minorities.

The results for black women are particularly perplexing. Black women have higher employment outcomes when they are not living in predominately minority tracts, but they do not seem to gain anything moving from majority minority to predominately white tracts. This could be evidence of discrimination in hiring practices. Because women—particularly black women—tend to work more in the service industry, they could be at a greater risk for discriminatory hiring practices than their male counterparts who may be more apt to find jobs that do not involve contact with white customers (e.g., manual labor). Holzer and Ihlanfeldt (1998) find that black job applicants are less likely to be hired for jobs that involve contact with white customers. Consequently, black women may have a difficult time finding employment in service jobs located in predominately or majority white neighborhoods.
Contrary to Holzer and Ihlanfeldt’s findings, however, black women, rather than black men, are the subgroup that appears to be most disadvantaged when seeking suburban employment.

**Very Low Income Households**

The analysis suggests that black women are most disadvantaged by living in high poverty areas. With a 10 percentage point increase in the population with very low incomes (household incomes less than $20,000), black women experience a 2.6 percentage point drop in employment rates. Surprisingly, Hispanic men are least affected by living in high poverty areas as they only experience a .007 percentage point decline in employment as the tract’s very low-income population increases by 10 percentage points.

**Median Household Income**

Black men are the group which is most impacted by an increase in the tract’s median household income. As median household income rises by $10,000, black males’ employment rates increase by 1.8 percentage points. White women are the subgroup least affected by increases in median household income, as their likelihood for employment only increase .06 percentage points as median household income increases by $10,000.

**Region**

Regionally, employment rates vary for blacks, whites, and Hispanics. Blacks have the best employment outcomes in the south, while whites and Hispanics do equally well in the south and Midwest.
Limitations

Although I am confident that my research is both comprehensive and reasonably accurate, there are some limitations to my research that should be addressed. There is a selection effect for which I cannot control, I might have compared the data for the employment rates to data for employment-to-population ratio, and the inclusion of indicators of economic segregation might provide more insight into the true influences on employment rates.

The issue of residential choice is a difficult one to address without direct contact with the residents themselves. I am not able to account for the undetected differences in people who choose to live in predominately white neighborhoods as opposed to those who choose to live in predominately minority neighborhoods. The undetected differences could influence employment rates.

I use the employment rate rather than the employment-to-population ratio. While the employment-to-population ratio would have provided a measure for both the unemployed who are looking for work and the ones who have dropped out of the labor force, I am most interested in the unemployed who are actively seeking work and not able to find it. Measuring the economic well-being of people who are not participating in the labor force is impossible because reasons for dropping out of the labor force vary. Some people may have voluntarily dropped out of the labor force (e.g., stay-at-home mothers),
while others may be discouraged from entering it. There is no clear way of determining why an individual is not in the labor force.

Lastly, a more complete picture of minority employment rates might include a measure for economic segregation to control for non-racial factors contributing to employment rates. The need for economic segregation rates is particularly relevant to the regression because of the large effect that the very low-income control variable had on the magnitudes of each coefficient in the analysis.

**Discussion of Implications and Conclusions**

The purpose of this thesis is to examine the employment rates of subgroups of people living in neighborhoods with various racial distributions. What I find is initially surprising, but a closer look at previous research on spatial mismatch, brings more credibility to my findings. My analysis reveals that employment rates for minorities are statistically significantly in increasingly white neighborhoods, with minorities living in predominately white neighborhoods having the highest employment rates. Still surprising, however, are the results for black women, who only have high employment rates in areas that are not predominately minority.

The spatial mismatch hypothesis suggests that minorities living closest to abundant suburban jobs are more likely to locate job vacancies and obtain employment because they have lower job search costs, more information about existing jobs, and better access to employers. This information is useful to policymakers who want to
improve minority employment outcomes. Policies that encourage minorities to move to neighborhoods with a larger white population or improve the job search process for minorities living in the central city will likely increase minority employment rates.

Racial integration into predominately white areas may give minority families greater access to public and private services like better schools, health care, and grocery stores. Not only will racial neighborhood integration help minorities, but it may also benefit suburban employers. An increase of low-income job seekers in an area that caters to higher-income consumers, and therefore has an abundance of service jobs, will increase the applicant pool for businesses looking to hire low-skilled workers.

Programs like Moving to Opportunity (MTO), in which low-income families were given portable vouchers to be used in middle-income neighborhoods have been shown to improve the labor market outcomes of minorities (Rosenbaum and Harris, 2001; Ludwig and Katz, 2005). Relocation programs have not been politically popular because wealthy white constituents often reject the prospect of increasing low-income minority residents in their neighborhoods. If too many minorities move into predominately white neighborhoods, the areas may experience white flight (Massey and Denton, 1993) and eventually cease to be predominately white. As whites relocate in order to avoid perceived devaluation of their properties and decreased quality of life, minorities lose what they had previously gained from living in majority and predominately white areas.

Although I do not focus on central city tracts, given what we know about central cities, policymakers may want to consider ways to ease the job search process for
minorities living in those areas. Policies that address improved public transportation, minority car ownership, job information dispersion, and employer sensitivity training will undoubtedly improve the likelihood that minorities find jobs outside of the central city business district.

Better employment outcomes for minority workers are clearly possible. The Welfare to Work Act of 1996 was based on the premise that more people should be supported in their search for employment in an effort to decrease dependency on government support. It would be hypocritical for lawmakers to ignore research that shows clear improvement in employment rates for minorities who live in non-predominately minority neighborhoods when so much recent legislation has focused on requiring individuals to work. Steps can be taken to increase employment rates and improve the lives of American minority families through new opportunities to live in neighborhoods with jobs, good schools, and better public services.
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