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"Stealth Depression"

Joblessness in the City of Milwaukee Since 1990

A report prepared by:
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Center for Economic Development
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About This Report

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Executive Summary

As we approach Labor Day 2003, the economic boom of the 1990s has already become a distant memory for Milwaukee's labor market. Through most of the 1990s, the unemployment rate for city residents ran below or close to the national average for the nation's 50 largest cities. Today, at 9.3 percent, Milwaukee's unemployment rate is over two percentage points higher than the national 'big city" average, and significantly higher than the 5.7 percent unemployment rate at which it began the 1990s. In 2003, among the nation's 50 largest cities, Milwaukee had the 44th highest unemployment rate. Only Cleveland, Detroit, Fresno, Miami, Oakland, and San Jose posted higher rates.

Since 1990, Milwaukee has lost 21 percent of its manufacturing jobs and overall job growth has been anemic compared to other cities. Major public investments in tourism and entertainment facilities, such as the Midwest Airlines convention center and Miller Park, have failed to produce the job boom –in either tourism-related employment or "spin off" jobs—forecast by promoters.

The unemployment rate in the city of Milwaukee runs over five percentage points higher than in the suburbs, a gap that has widened considerably since the mid-1990s. All of the net job growth in metropolitan Milwaukee since 1995 has occurred in the suburbs. Consequently, the metro Milwaukee labor market continues to suffer from a structural "spatial mismatch" between pockets of high unemployment (the city of Milwaukee) and locations of job growth (mainly, the suburbs).

In Milwaukee's inner city, joblessness is endemic. 56.4 percent of working age males in the city's "Enterprise Community" –census tracts designated as the "inner city" by City Hall—were either unemployed or not in the labor force. By 2000, in almost one-third of the census tracts in the city of Milwaukee, over half the working age male population was unemployed or not in the labor force.

Racial disparities in unemployment continue to characterize the Milwaukee labor market. Among the cities and metropolitan areas surveyed by the U.S. Bureau of Labor Statistics, Milwaukee had the highest rates of black unemployment (18.5% in the city, 17.4% in the metro area) in 2001, the most recent data available. The gap in white and black unemployment rates in Milwaukee was among the largest in the nation; in metro Milwaukee, the black unemployment rate was over four times higher than the white rate in 2001. In the city of Milwaukee in 2001, according to "supplementary survey" data released by the U.S. Bureau of the Census, white male teenagers (ages 16-19) had a lower unemployment rate (17.9%) than prime working-age (25-54) black males (18.6%).

The "stealth depression" in the city of Milwaukee's labor market calls for bold, new departures in public policy. Initiatives in public investment, regional cooperation, reducing metro-wide racial segregation, industrial policy, and community benefits agreements should be considered as part of an aggressive anti-unemployment strategy in the city.

Introduction

As we approach Labor Day 2003, celebrations in the city of Milwaukee should be tempered by a stark reality: This city is in the midst of its most severe employment crisis in two decades. Despite the economic boom of the 1990s, the surge in downtown redevelopment, and claims by city leaders that businesses are rediscovering the "competitive advantages" of Milwaukee's inner city, joblessness among city residents has risen sharply since 1999. Milwaukee's unemployment rate ran consistently *below* the average for the nation's largest cities through the mid-1990s. By 2003, however, Milwaukee's unemployment of 9.3 percent far exceeded the national urban average, and was well above the 5.7 percent unemployment rate at which it began the 1990s.

For black residents of Milwaukee, the employment situation is particularly grim. Despite significant employment gains at the end of the 1990s economic boom, by 2001 black unemployment in the city was *higher* than it was in 1990. In many neighborhoods in Milwaukee's predominantly black inner city, joblessness is so pervasive that over 50 percent of working age males are either unemployed or not even in the labor force. Unemployment among Milwaukee blacks remains higher than for blacks in any large city in the United States. In short, for black Milwaukeeans, the current employment crisis is nothing short of a "stealth depression."

Drawing on the latest data from the U.S. Bureau of Labor Statistics and the U.S. Bureau of the Census, this report will document the key dimensions of Milwaukee's current employment crisis, placing the city in national and regional context. In addition, we will examine patterns of joblessness in the city's neighborhoods as well as the city's deep racial disparities in employment. Finally, we will discuss some of the policy implications of these findings. Despite the severity of Milwaukee's employment crisis, there are few signs that the city's political and corporate leadership recognizes the "stealth depression" that now

grips the city's labor market, or understands that current strategies have failed to attack pervasive joblessness in Milwaukee. As the 2004 political season moves into high gear, surely no issue will be more important than developing new and innovative policies to generate family-supporting jobs in the city of Milwaukee.

Rising Unemployment in Milwaukee Since the Mid-1990s

Throughout the 1990s, the official unemployment rate in the city of Milwaukee oscillated between 5.1 and 5.7 percent, except for the recession-influenced years of the 1991-1994 period when unemployment climbed as high as 6.5 percent. Moreover, as Table 1 and Chart 1 illustrate, through 1996, annual average unemployment in Milwaukee remained below the average of the nation's fifty largest cities. Despite severe deindustrialization that cost Milwaukee over 46 percent of its manufacturing jobs between 1972 and 1992, the city's employment performance through the mid-1990s stacked up rather favorably compared to trends in the nation's largest cities.

Table 1:

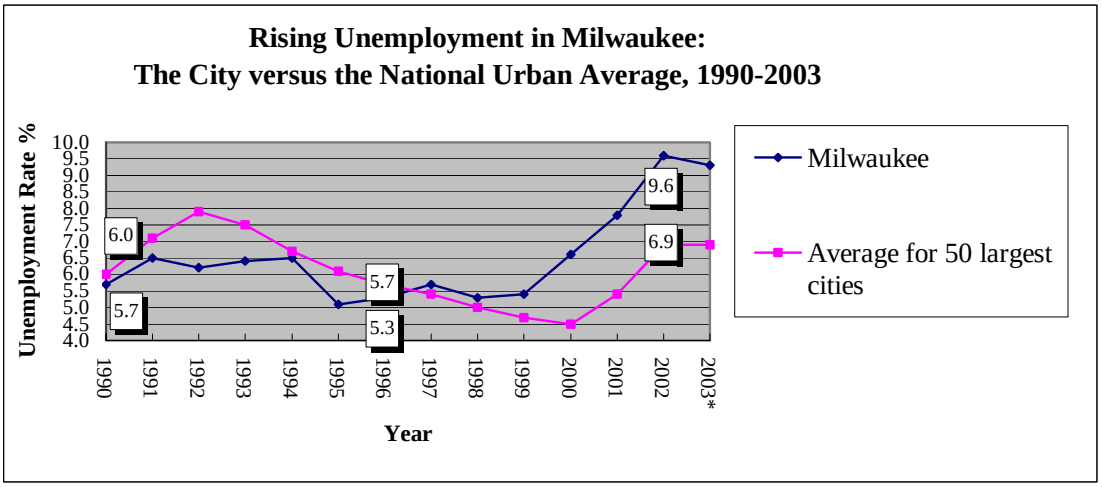
Unemployment in Milwaukee in National Perspective: 1990-2003

Average Annual Unemployment Rates in the City of Milwaukee and the Nation's Fifty Largest Cities

Year	City of Milwaukee	National Average: 50 Largest Cities	Gap –Milwaukee vs. the National Average
1990	5.7	6.0	-0.3
1991	6.5	7.1	-0.6
1992	6.2	7.9	-1.7
1993	6.4	7.5	-1.1
1994	6.5	6.7	-0.2
1995	5.1	6.1	-1.0
1996	*5.3*	*5.7*	*-0.4*
1997	*5.7*	*5.4*	*+0.3*
1998	5.3	5.0	+0.3
1999	5.4	4.7	+0.7
2000	6.6	4.5	+2.1
2001	7.8	5.4	+2.4
2002	9.6	6.9	+2.7
2003*	9.3	6.9	+2.4

Source: Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 1990-2003. Average annual unemployment rate for cities.
*May 2003 unemployment rates

Chart 1:



Source: Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 1990-2003. Average annual unemployment rate for cities.

After 1996, however, troubles in Milwaukee's labor market emerged in two phases. First, between 1996-1999, although Milwaukee's unemployment rate remained steady, the national "big city" unemployment rate continued to drop as the 1990s boom rolled on. Thus, after 1996, the pattern of the early 1990s reversed itself and Milwaukee's unemployment rate began consistently surpassing the national urban average. The lines on Chart 1 show a small but discernible gap opening up between unemployment in Milwaukee and the national big city average between 1996-1999.

During the second phase of Milwaukee's employment crisis, between 1999-2003, this gap turned into a yawning chasm. Between 1999-2000, unemployment rose precipitously in Milwaukee while most big cities continued to enjoy the benefits of the 1990s boom and saw their unemployment rates continue to decline. Consequently, Milwaukee's unemployment rate, which was only 0.7 percent higher than the national urban average in 1999, soared to 2.1 percentage points higher in 2000. As Table 1 shows, as recently as 1995, Milwaukee's unemployment rate had been a full percentage point *below* the national "big city" average. Since 2000, however, Milwaukee's unemployment rate has outdistanced the national "big city" average by more than two percentage points in every year;

in the most recent annual measure (2002), Milwaukee's rate was 2.7 percentage points higher than the national average.

The city's underperforming labor market can be clearly discerned in Table 2, which shows Milwaukee's ranking since 1990, by unemployment rate, among the nation's 50 largest cities. Through 1995, Milwaukee's unemployment rate ranked a respectable 21st among the 50 largest cities (ranked lowest to highest). However, through the rest of the decade, Milwaukee's rank plummeted as unemployment remained steady here while it continued to fall in big cities across the United States. After 1999, Milwaukee's rank fell even further, as unemployment increased much more precipitously here than in other large cities. Consequently, by 2003, Milwaukee ranked 44th among the 50 largest cities; only Cleveland, Detroit, Fresno, Miami, Oakland, and San Jose had higher unemployment rates through May 2003.

Table 2:

Milwaukee's Rank Among the Nation's Fifty Largest Cities In Unemployment Rate, 1990-2003

Cities ranked from lowest unemployment to highest (i.e. 1st would signify city with the lowest unemployment rate)

Year	Milwaukee's Rank
1990	27
1991	25
1992	16
1993	18
1994	26
1995	21
1996	27
1997	32
1998	32
1999	35
2000	44
2001	43
2002	44
2003*	44

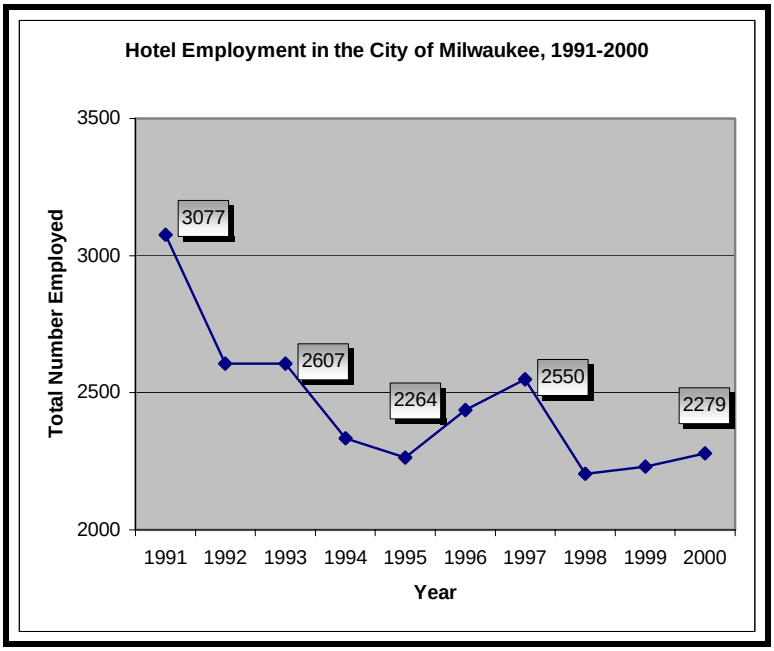
Source: Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 1990-2003.
Average annual unemployment rate for cities.
*May 2003 unemployment rates

These trends all point to a sharp rise in joblessness among residents of the city of Milwaukee since the late-1990s. Between the end of 1997 and May 2003, the number of employed city residents declined by 10.2 percent (from 276,675 to 248,227). During that same period, the number of unemployed Milwaukeeans increased by 53 percent (from 16,620 to 25,409). The rise in unemployment has been even steeper since 1999 – in less than four years, the number of unemployed residents in the city of Milwaukee has jumped by over 11,000, almost an 80 percent increase. *The bottom line is this: despite the economic boom of the 1990s, by 2003 the unemployment rate in the city of Milwaukee (9.3 percent) was significantly higher than it was in 1990 (5.7 percent), before the boom began.*

In short, by any reckoning, there has been a breathtaking collapse of the city of Milwaukee's labor market since the mid-1990s, particularly after 1999. Ironically, it has been during this period that two major public investments in tourism and entertainment in the city went into operation: the Midwest Airlines convention center and Miller Park. In addition, after 2000, two major privately funded projects promising tourism benefits opened: the Potawatomi Casino, and the Calatrava wing of the art museum. Representing well over $1 billion in investment, these projects were all touted as prodigious job-creators in themselves, and, through the "multiplier effect," generators of thousands of "spin off" jobs not only in tourism but other sectors of the local economy.

Clearly, the aggregate employment and unemployment figures for the city of Milwaukee show that the tourism strategy has failed to produce the job-boom forecast by the "economic impact" studies commissioned in support of projects such as Miller Park or the convention center. Moreover, as Chart 2 shows, these investments have curiously failed to produce an employment boom even in the tourism sector. Despite over $1 billion in tourism, sports, and entertainment investments since the late 1990s, employment in hotels in the city of Milwaukee was *25 percent lower* in 2000 than it was ten years earlier! These are the most recent sectoral data available, but it is highly unlikely –in the wake of the 2001 recession and the aftermath of 9/11—that hotel employment has climbed significantly since then. In short, the boom in tourism and entertainment investment since the late 1990s has been a bust in terms of its impact on the city's labor market.

Chart 2:



Source: U.S. Department of Housing and Urban Development, *State of the Cities Data System.* Special extracts from U.S. Bureau of the Census, *County Business Patterns*

Beyond the failure of tourism to deliver jobs in the city, what else contributed to the deterioration of Milwaukee's labor market? Given Milwaukee's history as an industrial center, researchers often focus on deindustrialization, and the loss of almost 60 percent of the city's manufacturing jobs since the early 1970s has unquestionably placed heavy pressures on the local labor market. And clearly, as Table 3 shows, heavy job losses at major Milwaukee-area manufacturers during the 1990s --particularly plant closings and layoffs at Johnson Controls, Miller Brewing, Briggs and Stratton, Tower Automotive, Delco Electronics, Rockwell, Harnischfeger, and Master Lock—were a central part of the city's late-1990s labor market collapse.[1]

[1] Although several employers, including non-manufacturers such as Aurora Health Care, Wisconsin Energy, and M& I Corp., as well as manufacturers such as Harley-Davidson saw strong employment growth between 1990-2003, it is unclear: a) how much of this growth occurred in the city of Milwaukee; and b) how many of these jobs were held by city residents.

Table 3:

Local Employment at Selected Milwaukee-Area Companies, 1990-2003

Total Employment

Company	1990	2003
Briggs and Stratton	8000	2600
Aurora Health Care	5400	11,704
Wisconsin Bell/SBC Ameritech	4527	4500
Allen-Bradley/Rockwell	4500	4800
A.O. Smith/Tower Automotive	3986	1300
Firstar	3575	3500
GM-Delco Electronics	3600	1600
Marcus Corporation	3500	3027
Marshall & Ilsley Corp.	3000	6700
Miller Brewing	3212	1850
Wisconsin Energy Corp.	3020	5100
Northwestern Mutual	3000	4000
Johnson Controls	2500	2500
Harnischfeger/Joy Global	2500	900
Ladish	2000	925
Master Lock	1480	750
Harley-Davidson	1200	3500

Source: Milwaukee *Business Journal, Book of Lists.* List of largest Milwaukee Area private employers,1990 and 2003.

But, deindustrialization, by itself, does not explain why Milwaukee's unemployment soared past all but a handful of the nation's largest cities after the mid-1990s. As Table 4 shows, when compared to other big cities in the Northeast-Midwest "industrial belt," Milwaukee's manufacturing job losses during the 1990s –while substantial—were not the most severe. *Overall* job growth in the Milwaukee, however, was anemic when compared to these other cities: only Buffalo, Cleveland, and Detroit, with actual job losses in the 1990s, had a slower job growth rate than Milwaukee. During the 1990s, beyond the ongoing crisis in local manufacturing facing all historically-industrial cities,

Milwaukee's economy stopped producing enough jobs *of any type* to keep unemployment among city residents from rising. And when we add to this situation the likelihood that a large share of the city jobs that were created in the 1990s went to suburban commuters (see below), we begin to understand why unemployment among city of Milwaukee residents rose so precipitously at the end of the 1990s.

Table 4:

Job Growth in the 1990s: Milwaukee Compared to Other Industrial Cities

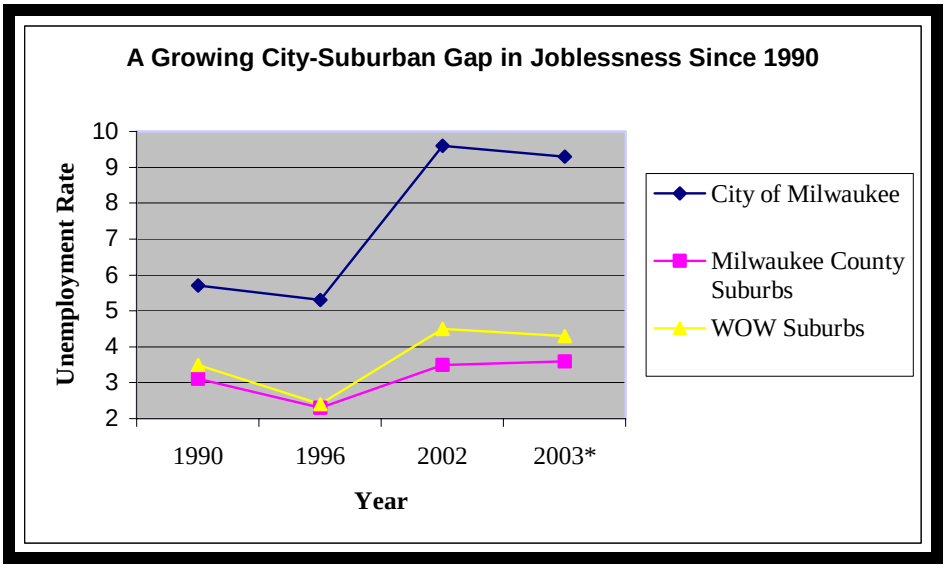
City	% change in mfg. jobs, 1991-2000	% change in total jobs, 1991-2000
Baltimore	-26.9	+0.6
Boston	-10.7	+18.1
Buffalo	-24.3	-8.6
Chicago	-26.1	+4.4
Cincinnati	-35.3	+1.4
Cleveland	-27.8	-0.4
Columbus	10.7	+26.4
Detroit	-13.4	-5.0
Milwaukee	-21.4	+0.4
Minneapolis	-18.6	+0.5
Philadelphia	-29.3	+1.1
Pittsburgh	-21.3	+2.2
St. Louis	-31.7	+4.8

Source: U.S. Department of Housing and Urban Development, *State of the Cities Data System.* Special extracts from U.S. Bureau of the Census, *County Business Patterns*

Regional Polarization and the Milwaukee Labor Market Since 1990

When it comes to employment and unemployment, metro Milwaukee really contains two labor markets: one in the city, the other in the suburbs. As Chart 3 shows, unemployment rates in the city and suburbs in metro Milwaukee have diverged sharply since the early 1990s. Although the unemployment rate for suburban residents has consistently been lower than the city average, after 1996 the city-suburban gap widened considerably. Unemployment did increase in the suburbs of Milwaukee, Waukesha, Ozaukee, and Washington counties with the end of the 1990s boom, the recession of 2001, and the post-2001 "jobless recovery." But the city's unemployment rate grew even more rapidly, so that a 3.0 percent gap between the city and suburbs in 1996 swelled to a 5.5 percent gap in 2002. In May 2003, the city of Milwaukee, with 33.5 percent of metro Milwaukee's labor force, was home to 53.7 percent of the region's unemployed.

Chart 3:



Source: Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 1990-2003. Average annual unemployment rate for cities. *May 2003 unemployment rates. **WOW Suburbs include Waukesha, Ozaukee, and Washington counties

This city-suburb unemployment gap is a symptom of a larger structural problem in the Greater Milwaukee labor market: a "spatial mismatch" between pockets of high unemployment (the city of Milwaukee) and locations of job growth (mainly, the suburbs). As Table 5 shows, during the crucial period between 1995-2000, when the employment situation for city of Milwaukee residents began to deteriorate, *all of the net job growth in metropolitan Milwaukee occurred in the suburbs.* During this period, the number of jobs in the suburbs grew by 52,496 while the total number of jobs in the city of Milwaukee declined by 678. Thus, by the end of the 1990s, job growth was occurring in areas of metropolitan Milwaukee some distance from the neighborhoods where most of the city's unemployed live, and in places often inaccessible by public transportation on which many city job seekers depend.

Table 5:

The Geography of Employment Growth in Metropolitan Milwaukee, 1995-2000

Location	**Change in # of jobs**
City of Milwaukee (all)	-678
Downtown	+7331
Rest of City	- 8009
Suburbs (all)	+52,496

Sources: U.S. Department of Housing and Urban Development, *State of the Cities Data System.* Special extracts from U.S. Bureau of the Census, *County Business Patterns;* U.S. Bureau of the Census, *County Business Patterns.* Zip-code level jobs data, 1995-2000.

As Table 5 also shows, there was a sharp geographic variation in the late 1990s in job growth *within* the city of Milwaukee. Downtown Milwaukee gained over 7,300 jobs between 1995-2000, while the rest of the city –buffeted by layoffs and plant closings at Johnson Controls, Tower Automotive, Master Lock, and Miller Brewing, to name just a few—shed over 8,000 jobs. But, for residents in Milwaukee's neighborhoods, these job gains downtown and losses in the rest of the city did not "balance out."

Although we will not know precisely until U.S. Census Bureau "journey to work" data are released later this year, the evidence suggests that a large share of the new downtown jobs were garnered by suburban commuters, not by city residents displaced from employment by plant shutdowns and layoffs. According

to the U.S. Bureau of Labor Statistics, the number of employed city residents *declined* by 20,941 between 1995-2000 (see Table 6); on the other hand, the number of employed suburban residents grew by 47,165. Since: 1) 52,496 jobs were created in the suburbs during this period; and 2) we can safely assume that non-suburbanites garnered some of these jobs[2]; then 3) to account for the increase in 47,165 employed residents in the Milwaukee suburbs, it is reasonable to infer that the lion's share of the increased number in jobs in downtown Milwaukee during this period was secured by residents from *outside the city*[3].

In an otherwise bleak employment picture for the city since the mid-1990s, downtown Milwaukee stands as one of the bright spots. And, the fact that downtown is providing significant employment for suburban commuters is not, in itself, a negative trend; a healthy downtown is vital to maintaining the place of the city of Milwaukee in the regional economy. But, there is little evidence that downtown job growth since the late 1990s has provided significant employment opportunities for city residents or made a meaningful dent in the regional "spatial mismatch" that plagues the Milwaukee labor market.

Table 6:

Geographic Variation in the Number of Employed Residents in Metro Milwaukee, 1995-2000

Place	Change in # of employed residents
City of Milwaukee	-20,941
Milwaukee County Suburbs	+26,173
WOW Counties	+20,992

Source: Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 1995-2000.

Joblessness in Milwaukee's Inner City Neighborhoods

The consequence of this continuing and deepening "spatial mismatch" in the regional labor market has been a "stealth depression" in the labor markets of

[2] Including not only some city residents, but also workers from outside the metropolitan area, from places such as Dodge, Jefferson, Racine, and Walworth counties.

[3] An in-depth study of downtown redevelopment in Milwaukee during the 1980s found that 49.2 percent of all jobs created downtown went to suburbanites, and that 80 percent of all downtown jobs paying more than $40,000 annually (in 1992 $) were secured by suburban commuters. See Marc V. Levine and John F. Zipp, *Downtown redevelopment in Milwaukee: Has it delivered for the city?* (Milwaukee: UWM Center for Economic Development, 1994).

many Milwaukee neighborhoods. The most recent available data on employment and unemployment at the neighborhood-level comes from the 2000 census, and these data reveal that a pervasive crisis of joblessness continues to grip Milwaukee's inner city. During the 1990s, there was some improvement in an unemployment situation that had reached rock bottom during the disastrous 1980s (between 1977-1992, Milwaukee lost almost 38 percent of its manufacturing jobs). In a slight majority of inner city neighborhoods, unemployment declined modestly during the 1990s, although by any measure rates remained stubbornly high. In the city's "Enterprise Community" --the census tracts in the heart of Milwaukee officially designated by City Hall as "the inner city"-- the unemployment rate dropped from 27.8 percent to 22.2 percent between 1990-2000. In ten of the city's 17 "NSP" ("Neighborhood Strategic Planning") areas, unemployment declined during the 1990s. (See Table 7).

Table 7:

Unemployment in Milwaukee's Inner City: 1970-2000

% of civilian labor force unemployed in NSP Areas

NSP#	Neighborhood	1970	1980	1990	2000
1	Parklawn	3.4	5.3	15.7	13.3
2	Northwest	3.7	8.4	11.8	13.6
3	Lincoln Park	2.5	9.4	8.9	13.5
4	United Community	6.7	13.4	17.1	19.3
5	Sherman Park	2.8	5.7	9.1	10.1
6	Harambee	7.4	16.3	22.2	22.0
7	Riverwest	4.5	8.1	10.8	9.1
8	Metcalfe Park	6.4	14.1	22.9	20.9
9	Midtown	9.5	16.2	30.4	21.1
10	Waico/YMCA	7.5	14.6	28.6	25.0
11	Grandview/Walnut Hill	5.4	11.2	20.6	22.4
12	Mid-Town	10.4	16.0	34.1	24.9
13	Hillside/Lapham	7.6	23.8	40.8	23.2
14	West Side	5.8	10.0	15.9	15.3
15	Greater Clarke Square	5.3	6.7	9.0	13.0
16	Near South Side	4.8	10.9	16.1	13.7
17	Historic South Side	4.0	8.5	10.4	12.7

Source: U.S. Bureau of the Census, *Census 2000 Summary File (SF3). Employment Status for the Population16 Years and Over.*

However, these improvements were less meaningful than they appeared. In neighborhoods outside the traditional inner city, such as the Northwest Side, Lincoln Park, and Sherman Park, unemployment rose between 1990-2000. In short, rather than representing any genuine gains in the inner city labor market,

the "improved" unemployment rate in many inner city neighborhoods merely represented a geographic "rearranging" of unemployment, with a slight reduction in unemployment in the traditional "inner core" amid sharp increases in neighborhoods to the north and west. Emblematic of this trend of the "expanding inner city" was the sharp deterioration in the employment situation in Lincoln Park, a neighborhood north of traditional inner city. Once home to thousands of employees of A.O. Smith, American Motors, and other northside manufacturers, Lincoln Park saw its unemployment rate climb by over 50 percent during the 1990s (rising from 8.9 to 13.5 percent).

These unemployment numbers are serious enough. Unfortunately, however, they do not reveal the true extent to which work has disappeared from daily life in many Milwaukee neighborhoods. For example, the unemployment rate does not include people who have stopped looking for work ("discouraged job-seekers") or are otherwise not in the civilian labor force. Thus, a better measure of the availability of work in Milwaukee's inner city is the indicator of "labor market exclusion." This measure calculates the proportion of the working age population (over 16 years old) that is either unemployed or not in the civilian labor force (in school, not looking for work, disabled, or in prison).

As Table 8 illustrates, labor market exclusion has reached staggering proportions in Milwaukee's inner city. This table presents labor market exclusion rates for *males* in inner city neighborhoods between 1980 and 2000. This breakdown enables us to more precisely analyze changes in inner city work opportunities since 1980 by controlling for the increases in labor force participation by women that have occurred since then. The results are astounding: in 2000, in all but two city "NSP" neighborhoods, over 40 percent of the working age males were either unemployed or not in the labor force; in seven of the city's "NSP Areas," the male labor market exclusion rate was well over 50 percent. For the city's "Enterprise Community" as a whole, 56.4 percent of working age males were unemployed or outside the labor force. Given our analysis earlier of trends in the Milwaukee labor market *since* 2000, there is little question that these figures have worsened over the past three years.

Chart 4 further sharpens the focus on the employment crisis in Milwaukee's inner city. This graph looks at levels labor market exclusion for *prime working*

age males --those between the ages of 25-54-- in two important inner city neighborhoods, and, for comparative purposes, the city of Milwaukee as a whole, and Milwaukee's suburbs. The census tracts along Dr. Martin Luther King, Jr. Drive and in the Metcalfe Park area around 27th and North are prime redevelopment zones in Milwaukee's inner city. King Drive, in particular, is often cited by city officials and in the media as a redevelopment "success story," as an example of how "market-driven" commercial redevelopment can revive an inner city neighborhood.

Yet, as Chart 4 shows, joblessness remains endemic among prime working age males in these two inner city neighborhoods. Despite the overall economic boom of the 1990s, as well as intensive city promotion of both areas as "competitive inner city" neighborhoods, by 2000 well over half the prime working age males around 27th and North, and over 40 percent of prime working age males in the King Drive census tracts, remained unemployed or out of the labor force. The labor market exclusion rate around 27th and North is *double* the city-wide rate, and almost *six times* the rate for prime working age males in the suburbs of Milwaukee, Waukesha, Washington, and Ozaukee counties. By any reckoning, this is an employment crisis of major proportions.

Table 8:

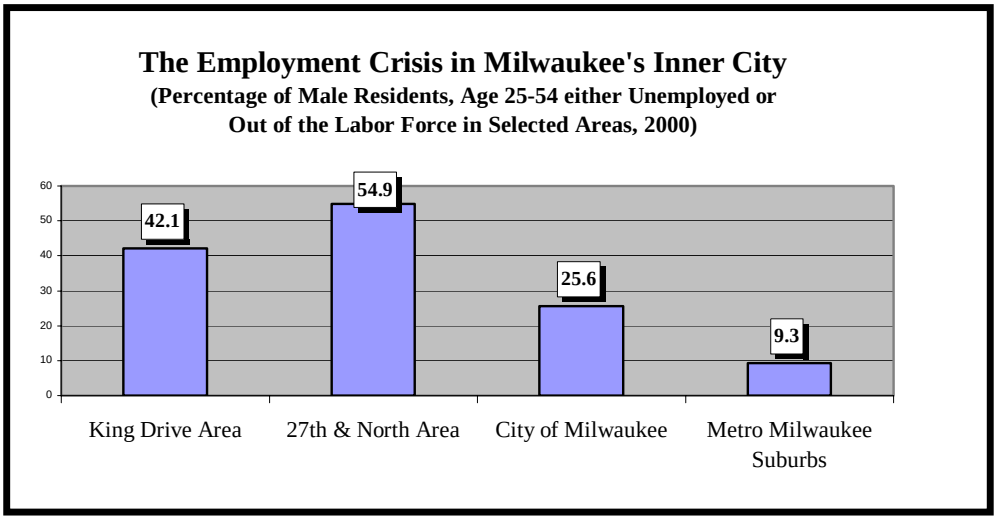
Labor Market Exclusion in Milwaukee's "NSP" Areas

(% of working age males either unemployed or not in the civilian labor force, 1980-2000)

NSP #	NEIGHBORHOOD	1980	1990	2000
1	Parklawn	31.0	40.5	41.2
2	Northwest	30.9	35.5	48.2
3	Lincoln Park	31.6	35.4	48.2
4	United Community	41.5	47.6	59.1
5	Sherman Park	30.2	30.7	39.0
6	Harambee	45.9	53.1	54.7
7	Riverwest	32.6	34.4	34.6
8	Metcalfe Park	40.4	51.7	57.9
9	Midtown	46.7	62.3	58.9
10	WAICO/YMCA	51.1	56.5	60.7
11	Grandview/Walnut Hill	34.2	50.9	54.9
12	Mid-Town	48.7	62.3	60.7
13	Hillside/Lapham	69.7	81.6	69.1
14	West Side	45.7	50.8	49.1
15	Greater Clarke Square	30.4	35.2	44.1
16	Near South Side	38.3	42.3	38.6
17	Historic South Side	30.3	32.7	43.0

Source: Same as Table 7.

Chart 4:



Source: Same as Table 7

Chart 5 and Table 9 provide a final overview of the pervasiveness of joblessness in Milwaukee's inner city. As Table 9 shows, the number of census tracts in the city of Milwaukee in which 50 percent or more of working age males are unemployed or not in the labor force has grown dramatically since 1970. In 1970, there were only seven tracts in the city in which the majority of working age males was jobless; by 2000, almost 30 percent of the city's census tracts (62 of 218) fell into conditions of "majority joblessness" for males. It is no exaggeration to say that for males in broad swaths of Milwaukee's inner city, work has "disappeared," to borrow the expression of Harvard sociologist William Julius Wilson.

Table 9:

Joblessness in the Inner City:

The Number of Milwaukee Census Tracts in Which the Majority of Working-Age Males were Jobless, 1970-2000

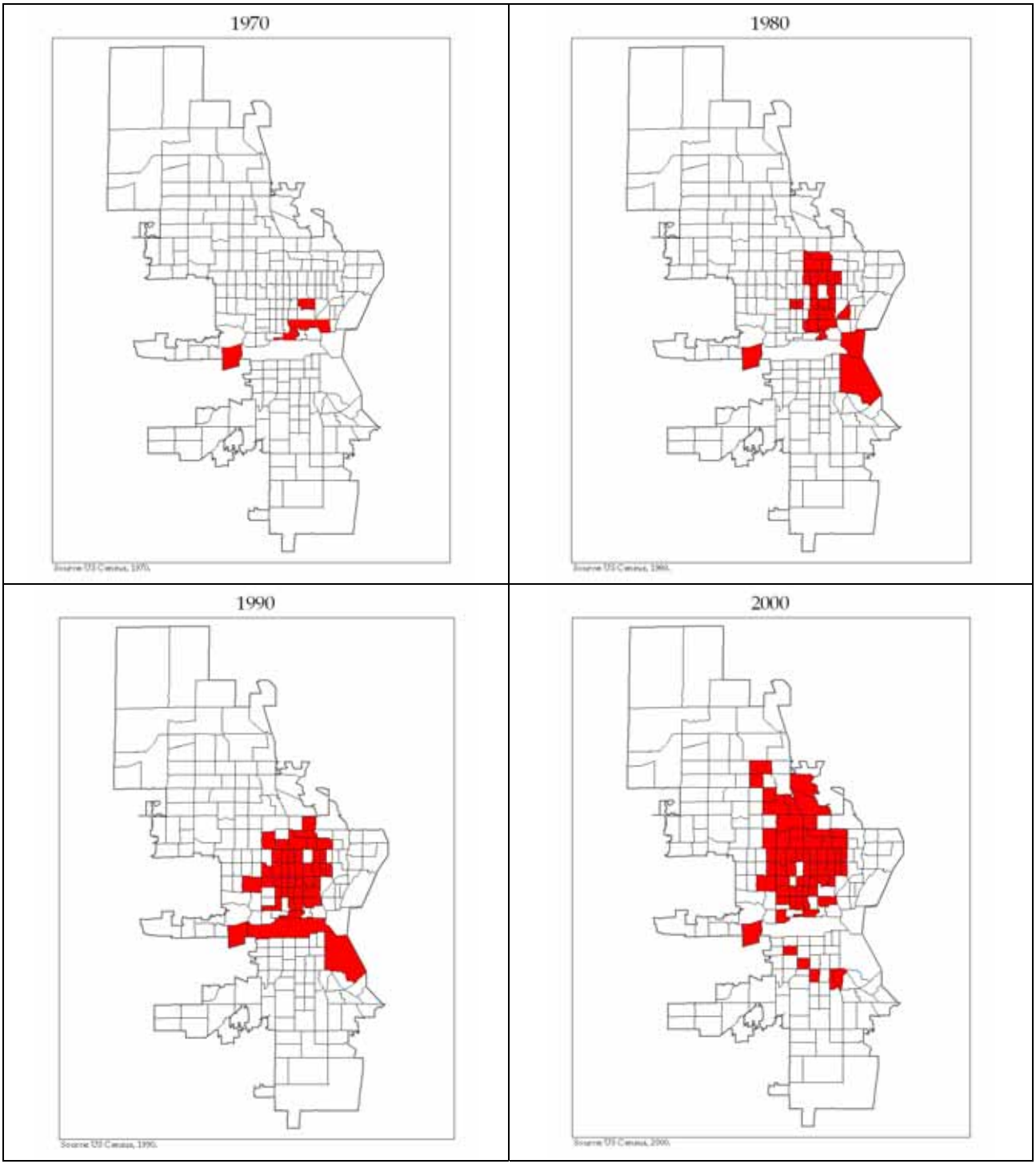
Year	# of "majority jobless" tracts
1970	7
1980	25
1990	44
2000	62

Chart 5 offers a dramatic, decade-by-decade mapping of spreading joblessness in Milwaukee's neighborhoods between 1970 and 2000. By 1990, as the map shows, most of the city's north side and a broad swath of the near south side contained "majority jobless" census tracts. By 2000, as noted earlier, conditions of "majority joblessness" had spread well to the north of Milwaukee's traditional core, into portions of Lincoln Creek, Sherman Park, and towards the far Northwest Side. In short, despite the economic boom of the 1990s, the "stealth depression" remained unchecked in Milwaukee's inner city.

Chart 5:

Labor Market Exclusion in Milwaukee, 1970-2000:

Census tracts in which 50% or more of working age males are unemployed or not in the labor force



Racial Disparities and Joblessness in Milwaukee

"Stealth depression," is surely an apt characterization for the employment situation facing the city's African American community. Indeed, some might argue that the city's labor market for blacks has been in a "stealth depression" for almost thirty years. When Milwaukee's industrial economy began collapsing in the late 1970s, black unemployment soared, reaching 28.3 percent in 1985, according to BLS estimates. Things improved somewhat toward the end of the 1980s, so that by 1990, the black unemployment rate in the city stood at 16.6 percent, still among the highest black unemployment rates for any city in the country. What's more, the black unemployment rate in metro Milwaukee was *four times higher* than white rate, a racial disparity twice the national average.[4]

As Chart 6 shows, after spiking again during the early 1990s recession and peaking at 23.9 percent, the black unemployment rate in the city of Milwaukee oscillated between 14 and 18 percent throughout the 1990s. Between 1999 and 2000, though, as the national economic boom reached its apex, black unemployment in Milwaukee fell precipitously, reaching 9.7 percent, the lowest level in over thirty years.[5]

These gains, however, were fragile and fleeting. By 2001, according to the most recent data available from the Bureau of Labor Statistics (BLS), black unemployment in the city had surged back to 18.5 percent, erasing all of the gains of the 1990s boom. This post-2000 surge in black joblessness in Milwaukee mirrors national trends in which "unemployment among blacks is rising at a faster pace than in any similar period since the mid-1970s," according to BLS data.[6]

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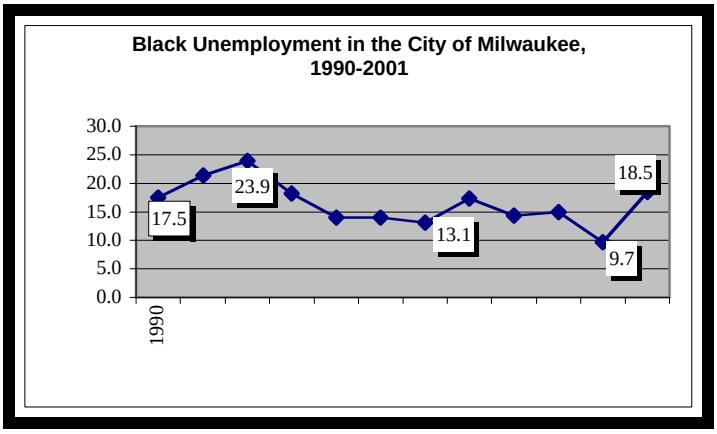
[4] See Marc Levine, *The Economic State of Milwaukee: The City and the Region, 1998* (Milwaukee: UWM Center for Economic Development, 1998), pp.79-81.

[5] This was a particularly impressive gain because, as we have seen (Chart 1), between 1999-2000 was when overall unemployment in the city began rising (in advance of the national recession of 2001). However, we should also caution that there is an error range in the BLS estimates, so that this figure may have been as low as 6.3% or as high as 13.1% (more likely towards the upper end of the error range, given black unemployment rates throughout the 1990s and in 2001).

[6] Louis Uchitelle, "Blacks lose better jobs faster as middle-class work drops," *The New York Times*, 12 July 2003.

Chart 6:



Source: U.S. Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment: Estimates for metropolitan areas and cities, 1990-2001*.

Although the increase in black unemployment in Milwaukee after 2000 is consistent with national trends, Milwaukee's black unemployment rate remains far above the national average and far higher than in all cities surveyed by the BLS. Moreover, with the exception of Baltimore and Washington, D.C. (which had exceptionally low white unemployment rates in 2001), Milwaukee had the highest racial disparity in unemployment rates of any city surveyed by the BLS. And the percentage point gap separating the black and white unemployment rates in Milwaukee is the largest among the BLS-reported cities. Table 10 presents these 2001 data for the cities reported by the BLS.

Table 11 presents these data for metropolitan areas surveyed by the BLS. In 2001, as is customarily the case, BLS surveyed the employment situation in more metropolitan areas than cities; thus, looking at these metro area data gives us a slightly larger sample of urbanized areas against which to benchmark the racial dynamics of the Milwaukee labor market. The metro area data also give an indication of how much "spatial mismatches" and racial segregation affect unemployment rates: in areas in which blacks have little access to the suburban labor market, we would expect metro area racial disparities in unemployment to be higher than racial disparities in the city itself.

In hypersegregated Milwaukee, where 92 percent of the metro area's black labor force lives in the city, and 79 percent of the region's white labor force lives

in the suburbs[7], this is precisely the case. Racial disparities in unemployment here are even more apparent at the metropolitan area level than at the city level. Milwaukee has, by far, the highest black unemployment rate among metropolitan areas surveyed by the BLS, and, by far, the largest racial gap in unemployment rates. The black unemployment rate in metro Milwaukee remains over four times higher than the white rate.

Table 10:

Racial Disparities in Unemployment in Selected Central Cities: 2001Unemployment Rate

City	Black	White	Black/White Ratio	Black-White % Gap
Baltimore	9.3	2.1	4.43	7.2
Chicago	12.2	5.5	2.22	6.7
Cleveland	7.3	4.0	1.83	3.3
Dallas	13.0	5.5	2.36	7.5
Detroit	11.1	9.3	1.19	1.8
Houston	9.7	3.5	2.77	6.2
Indianapolis	5.3	4.4	1.20	0.9
Los Angeles	10.7	6.2	1.73	4.5
Milwaukee	***18.5***	***6.7***	***2.76***	***11.8***
New York	8.4	5.2	1.62	3.2
Philadelphia	10.1	7.1	1.42	3.0
St. Louis	10.9	6.7	1.63	4.2
Washington, D.C.	9.1	3.0	3.03	6.1

Source: Same as Chart 6

[7] Calculated from U.S. Bureau of the Census, *Census 2000 Summary File (SF3). Employment Status for the Population16 Years and Over*.

Table 11:

Racial Disparities in Unemployment in Selected Metropolitan Areas: 2001 Unemployment Rate

City	Black	White	Black/White Ratio	Black-White % Gap
Atlanta	5.3	2.5	2.12	2.8
Baltimore	7.9	3.0	2.63	4.9
Boston	6.2	3.3	1.88	2.9
Buffalo	13.5	4.3	3.14	9.2
Charlotte	9.9	4.4	2.25	5.4
Chicago	9.9	4.6	2.15	5.3
Cincinnati	4.7	3.1	1.52	1.6
Cleveland	6.4	3.3	1.94	3.1
Columbus	5.1	3.2	1.59	1.9
Detroit	9.6	4.5	2.13	5.1
Houston	8.7	3.8	2.29	4.9
Kansas City	11.0	4.1	2.68	6.9
Los Angeles	10.0	5.3	1.73	4.5
Louisville	7.0	3.6	1.94	3.4
Memphis	5.6	4.3	1.30	1.3
Miami	6.1	6.1	1.00	--
Milwaukee	***17.4***	***4.1***	***4.24***	***13.3***
Minneapolis	9.2	3.1	2.97	6.1
New Orleans	8.4	2.9	2.90	5.5
New York	8.1	4.6	1.76	3.5
Oakland	7.3	3.5	2.09	3.8
Philadelphia	9.1	3.9	2.33	5.2
Portland	12.7	6.2	2.05	6.5
St. Louis	9.2	4.1	2.24	5.1

Source: Same as Chart 6

Table 12 gives us a sharper profile of race and joblessness in the city of Milwaukee. Drawing on newly released data from the U.S. Bureau of the Census' "2001 Supplementary Survey," this table enables us to examine the unemployment and labor force exclusion rates, by race, for various age cohorts of the working-age population in the city of Milwaukee. Again, to avoid the analytic ambiguities involving gender and workforce participation, we limit this table to the male working-age population.

Table 12:

Unemployment and Labor Market Exclusion for Males, by Race and Age: City of Milwaukee, 2001

Age Cohort	Black Unemployment Rate	White Unemployment Rate	Black Labor Market Exclusion %	White Labor Market Exclusion %
16-19	48.1	17.9	71.3	55.2
20-24	42.7	4.4	55.2	32.3
25-54	18.6	5.0	29.0	13.0
55-64	19.3	4.5	46.5	47.2

Source: U.S. Bureau of the Census, *Supplementary Survey, 2001.* Summary tables. PCT0488. Sex by age by employment status for the population 16 years and over. Black or African-American alone, White alone, Not Hispanic or Latino.

This table, perhaps more vividly than any other, conveys the seriousness of the crisis of race and unemployment facing the city of Milwaukee. In every age cohort, the black unemployment rate is in double-digits, and far exceeds the white unemployment rate. Over 40 percent of young, working-age black males (16-24) were unemployed in 2001, and over 60 percent were either unemployed or out of the labor force entirely. Even for prime working-age black males (25-54), the Milwaukee labor market is a grim place. The black unemployment rate for this cohort is 3.7 times higher than the white unemployment rate. Most astonishingly, in 2001 the unemployment rate for white male teenagers (17.9%) in the city of Milwaukee was lower than for prime working-age black males (18.6%). This statistic speaks volumes about racial disparities in the Milwaukee labor market and the extent to which joblessness – particularly male unemployment and labor market exclusion-- persists as a serious and chronic problem in Milwaukee's African American community.

Policy Implications

Jobs are the lifeblood of cities; without sufficient employment for residents, neighborhood decline is inevitable and sustainable neighborhood revitalization projects are impossible. As this report has documented, the city of Milwaukee in 2003 faces an imposing array of labor market challenges:

- A shrinking job base outside of downtown, anemic overall job growth, continuing deindustrialization, and declining numbers of employed residents;
- An overall unemployment rate running significantly above the average of the nation's largest cities;
- A "spatial mismatch" in which high unemployment exists in the inner city, but all of the region's net job growth is occurring in the suburbs (including many exurbs in Waukesha and Washington counties, far away from Milwaukee's major pockets of unemployment);
- A growing number of central city census tracts in which over half the working age males are not working;
- The highest rates of black unemployment in large cities surveyed by the Bureau of Labor Statistics, and among the highest racial disparities in unemployment rates of BLS-surveyed cities.

There is, of course, no silver-bullet policy solution to Milwaukee's employment crisis. But, it is clear that the policies of the past decade have not worked. Four brief examples:

- Major investments such as the convention center or Miller Park have been sold as "job creation" policies, but as we have seen, the jobs have not materialized.[8]
- Local community organizations have worked valiantly to retain and expand employment in their neighborhoods: the Northwest

[8] This is hardly a surprise; there is a virtual consensus among academic researchers that neither sports facilities nor convention centers generate much economic development or create many jobs in cities. See Roger G. Noll and Andrew Zimbalist (eds), *Sports, Jobs and Taxes: The Economic Impact of Sports Teams and Stadiums* (Washington, D.C.: The Brookings Institution Press, 1997); and Heywood Sanders, "Convention Myths and Markets: A Critical Review of Convention Center Feasibility Studies," *Economic Development Quarterly*, 16:3, (August 2002): 195-210.

Side CDC's "supplier-linkage" program and Esperanza Unida's array of "social entrepreneurship" initiatives are fine examples. But community organization efforts have been overwhelmed when major city employers such as Tower Automotive, Master Lock, Johnson Controls and others lay off thousands or close their plants.

- City government has put into place a number of useful programs: land-banking, TIFs, and various business assistance packages have all had varying degrees of success. But, the bottom line is that Milwaukee's employment situation is worse today than it was in 1990, and worse than the vast majority of big cities in the United States. Clearly, the city's overall approach to job-creation is coming up short.

- Until recently, the city's major business organizations –the Greater Milwaukee Committee (GMC) and the Metropolitan Milwaukee Association of Commerce (MMAC)—only sporadically addressed the issue of job creation in the city of Milwaukee, particularly in the distressed neighborhoods of the inner city. Both organizations devoted considerable energies and played major roles in securing what will ultimately amount to over $1 billion in public funds to build a baseball stadium and convention center – dollars that could have been otherwise invested in more promising job-creation initiatives in the city. In the past year, both business organizations have become more active on the economic development and jobs front: the MMAC put out a "Blueprint for Prosperity" last fall, and the GMC is preparing to launch the "Initiative for a Competitive Inner City" (ICIC) this fall. But, there are few words in the MMAC "Blueprint" about massive inner city joblessness. The main focus is on "regional competitiveness," and the strategies are largely drawn from the standard arsenal of business lobbying demands: lower taxes, less regulation, and improving the business climate. The ICIC project starts with the promising premise of job-creation in sectoral "clusters" as the linchpin of inner city

neighborhood revitalization. However, it remains to be seen whether sufficient capital will be invested in the project to produce the kinds of job creation necessary to make even a dent in Milwaukee's unemployment crisis.

In sum, the performance of Milwaukee's labor market over the past decade leaves little doubt that current policies –and the current generation of political and corporate leadership—have not successfully attacked the city's employment crisis. Clearly, Milwaukee needs some radical, new approaches –a "big bang" of sorts—to jump-start the city's job-creation machinery. In the interest of stimulating debate on new local job-growth strategies, we conclude this report with five policy possibilities:

1) ***Public investment:*** Milwaukee's labor market would improve dramatically with some good, old-fashioned Keynesian pump-priming. Like so many older U.S. cities, Milwaukee suffers from a crumbling infrastructure: aging schools, roads, and bridges badly in need of replacement and renovation. Improvements in public transportation –including some form of rail transit linking city neighborhoods to regional employment hubs (see below)—should also be part of Milwaukee's renewed infrastructure. Major investments in renewed infrastructure would not only provide an immediate stimulus to the local job market, but would also contribute mightily to enhancing the long-term economic competitiveness of the city, making it attractive to employers (and thus contributing to long-term employment growth). Some of the funding for renewed infrastructure will come in the near future from state and federal transportation dollars, devoted to renewing the Milwaukee interstate system as well as possible improvements in public transportation. Some could come from creative use of the state and city's bonding capacity. Where would additional funding for such a program come from? Read on.

2) ***Regional Cooperation:*** Although Milwaukee's corporate leadership increasingly pays homage to the virtues of "regional cooperation," concrete proposals for regional job creation are rare. Here's one, drawn from Myron Orfield's *Wisconsin Metropatterns:* a regional "tax-base sharing" program, modeled after the Twin Cities Fiscal Disparities program, in which local governments in the region contribute 40 percent of their growth in commercial-

industrial tax base to a regional pool. The tax-base in the regional pool is then distributed back to local governments according to local tax base per capita. Orfield calculates that if such a program had been in place in the mid-1990s, Milwaukee could have received $1 billion in "tax base sharing funds."[9] While hardly enough to fund the multi-billion dollar public investment program suggested above, tax base sharing could certainly help fund critically needed job creation projects in Milwaukee's inner city. Moreover, tax base sharing could also establish a framework for further regional economic cooperation, in transportation policy, "smart growth," and "cluster-development" policies – all of which hold the potential for job-creation in the city and the region.

3) ***Reduce Segregation in the Regional Labor Market:*** As we have noted, racial segregation is a fundamental feature of the Milwaukee labor market, contributing mightily to the "spatial mismatch" between job creation (the suburbs) and pockets of unemployment (the inner city). Breaking down segregated labor markets –by building affordable housing in the suburbs and by improving transportation links between the central city and suburban employment centers—must be a central component of any realistic strategy to reduce chronic inner city joblessness in Milwaukee. In this fashion, regional transportation and housing policies can be an integral part of a regional strategy to combat unemployment. Moreover, "smart growth" policies –providing incentives for employers to locate in existing employment centers and offering disincentives, such a steep impact fees, for development outside designated employment hubs--can also improve access to regional jobs by city residents.

4) ***City Industrial Policy:*** Milwaukee will never be the manufacturing colossus it was during its industrial heyday, but manufacturing remains –and will remain—an important part of the local job base. The city's plans for a light-manufacturing district in the Menomonee Valley are a promising start in developing a sorely needed local industrial strategy. Brownfields redevelopment, combined perhaps with "Smart Growth" incentives, also offers promise for some reindustrialization in the city. There are several training initiatives in place to

[9] Myron Orfield and Thomas Luce, *Wisconsin Metropatterns: Regional Cooperation, Economic Growth, and Environmental Protection* (Minneapolis: MARC, 2002), p. 8.

prepare central city workers for employment in high-performance, high-productivity manufacturing; these efforts should be strengthened as well.

5) ***Community Benefits Agreements:*** As redevelopment continues in downtown Milwaukee and surrounding neighborhoods, the city should seek to maximize the employment possibilities for city residents. In several cities around the country, "community benefits agreements" (CBAs) have been attached to major redevelopment projects, in which city residents receive preferences in local hiring and developers receiving city subsidies –such as land write-downs, low-interest loans, or TIFs—are required to meet certain job creation requirements. A CBA has been proposed for attachment to the city's ambitious plans for redeveloping the Park East Corridor (on the northern edge of downtown where the Park East freeway was recently torn down). This CBA includes several provisions to enhance the job prospects of residents of low-income city neighborhoods to secure employment in the redevelopment zone, and may serve as a model for future CBAs, not only in the city but also perhaps throughout the region.

These five policy approaches –public investment, regional cooperation, reduced segregation, industrial policy, and community benefits agreements—hardly exhaust the range of new policies that could combat unemployment in Milwaukee. Moreover, although the current political climate would seem to make it unlikely, substantial aid from the state and federal governments will probably be necessary for Milwaukee to undertake a truly effective anti-unemployment strategy.

But, the time has come for political and corporate leaders to acknowledge the seriousness of Milwaukee's "stealth depression" and to recognize that "business as usual" has failed to combat the city's structural employment crisis. These five policy approaches –or five other new departures—may serve as a useful starting point for rethinking city job-creation strategies. Let the debates begin.