

Chapter Two: The Historical, Social & Economic Contexts Of Homelessness - The Case of Philadelphia

Accept for the moment that homelessness occurs when either people have too little money to afford the going price for housing, or there is too little housing for people to afford, or there is insufficient supply of the particular kinds of housing and affordability that are in demand by the consumers of housing. This critical fit, among housing costs, housing supply, income sufficiency, and the demands of housing consumers, must be satisfactorily achieved in a given locality in order for homelessness to be avoided in the population. Assuming that that is true, then one is led to ask questions about what has happened in the 1980's and before, that has led to a mismatch in income resources, housing costs, housing supply, and the demands of housing consumers, leading increasing numbers of people to become residentially unstable and homeless, or at the least, to be at greater risk of residential instability and homelessness.

The previous chapter reviewed what has been the dominant perspective for understanding the growth of the homeless problem in the 1980's - the "defect" models of mental illness and substance abuse. But as the opening paragraph suggests, this chapter will provide an alternate frame of reference for understanding the homeless problem, and for understanding the research project reported in this thesis. The research for this thesis explores how homelessness occurs in the lives of individuals, and in the context of their family, work and social relations. But these more immediate contexts of homelessness also occur in a wider set of historical, social and economic

conditions, that in turn have a profound effect on the resources of the individual families, households and communities from which homeless people come. It is those larger contexts which will be explored in this chapter, as a way of then understanding the more immediate contexts of individual experience that lead to homelessness. Hence, this chapter will not look at the behavior or choices of individual persons, but instead will focus on the social and economic conditions facing those groups most vulnerable to homelessness. Before beginning that examination, it is helpful to note that this "ecological" perspective derives from a different set of assumptions regarding the sources of homelessness than those from which the "defect" model derives. And by examining those assumptions, the reader will be provided with an introduction to the logic that will guide the remainder of this chapter, and the study that follows.

The first and perhaps most important point of contrast between the assumptions of "defect" and "ecological" models of homelessness is that defect models pay primary attention to the individual traits of homeless people, and see those individual traits as providing the basis for understanding how people become homeless. An ecological perspective, on the other hand, would give far more attention to the dramatic shifts in the demographic profile of the homeless as a *group*, and see those changing group characteristics as suggestive of an analysis of the problems facing those same groups among the "homed" population to better understand their "homelessness." A second important difference, defect models assume that peoples' "homelessness" is the most critical biographical fact in understanding the problems of homeless people; hence, the focus on "their" current problems as individuals. An ecological perspective, on the other hand, would not view peoples' current homelessness as individuals as the only or most relevant fact of importance. Rather such a perspective would emphasize that people come from homes, and it is the homes from which they come, and the social and economic circumstances facing those homes, that are far more important in

understanding the development of their homelessness. Finally, defect models are more likely to emphasize how homeless people are different or separate from the class dynamics affecting the rest of the population, and consequently are more likely to think of the homeless as part of an "underclass." An ecological perspective, contrary to the image conjured by the idea of an "underclass," would see class dynamics as critical to understanding homelessness, and would try to explore how the experiences of homeless people are connected to the dynamic social structuring processes of the political economy.

This chapter represents an initial attempt to construct an "ecological perspective" for understanding the development of homelessness in the 1980's, and the contexts in which the individual experiences of homelessness develop. This examination will begin - as suggested by the opening paragraph - by assuming that homelessness is a reflection of housing and income problems facing the larger population of people demographically represented among the homeless, and the many Americans who also face increasing housing-cost and income-resource pressures. Because both housing and income are factors that mediate larger social, economic, and political forces, they provide a starting place for looking for the deeper structural sources of homelessness. And since homelessness is only a small part of the poverty problem, which in turn is only a small part of the inequality structure, and the hierarchical organization of resources and power in history, homelessness has wider associations than one might initially assume. But to limit the discussion to a reasonable set of issues, this "ecology" will explore the development of homelessness in a particular locality and within a specified time period.

Therefore, this chapter will begin by comparing the demographic profile of Philadelphia's homeless from the days of "skid row," or the early 1960's, to the late 1980's. In order to understand that shifting profile, explanations will be sought in the

changing political economy of the Philadelphia Metropolitan area since the 1950's. More specifically, trends in the development and underdevelopment of the Philadelphia Metropolitan area since World War II, primarily resulting from suburbanization, the geographic decentralization of the economy, and deindustrialization, and accompanied as they were by black urban in-migration, will be assessed for their differential impacts on the current housing and income situations of suburban and urban populations. Though the choice to go back to WWII is an arbitrary one, it has not been randomly chosen, as it marks the beginning of radical shifts in the social, economic and demographic organization of the Philadelphia metropolitan area. Secondly, other factors associated with the disproportionate experience of the housing and income crises in the city of Philadelphia, such as the expansion of the low-waged service economy, occupational segregation, discrimination and limitations in housing finance, the abandonment or gentrification of urban neighborhoods, and deficits in social insurance programs, will be discussed for their relevance to prominent groups represented among Philadelphia's homeless in the 1980's. Finally, evidence for the disproportionate experience of Philadelphia's housing and income crises by young adults, "minorities" and single men and women will be sought in the shifting residential patterns among those groups in the "homed" population of Philadelphia, providing perhaps the best evidence linking changes in structural factors with changes in the demographic profile of the homeless population. Such an "ecology" of homelessness will then provide the critical historical, social and economic framework for understanding the research report to follow, on how individuals become homeless in the more immediate contexts of family, work and social relations, relations which are themselves embedded in this larger historical framework of the changing political economy of the Philadelphia Metropolitan area.

A Demographic Profile of Philadelphia's Homeless:

The Other Yuppies (The Young Urban Poor)

The literature review in Chapter One informed us that across the United States the homeless population is now dominated by young adults under the age of forty, "minorities," particularly blacks, and by increasing numbers of women and children. It is such dramatic shifts since the days of "skid row" that prompt serious questions about the adequacy of "defect" models of homelessness, and that suggest an alternate framework for understanding the wider contexts behind such shifts. In considering that larger context in the case of Philadelphia, it will be helpful if the reader first considers the significant changes that have occurred in the demographic profile of Philadelphia's homeless population. To do that, a "skid row" sample of the Philadelphia homeless from the early 1960's (Blumberg, Shipley & Shandler, 1973), will be compared with a recent study of homelessness in Pennsylvania by Ryan, Bartelt & Goldstein (1989), along with some data from that study specifically on Philadelphia's homeless (Bartelt, 1989).

The Blumberg, et al. (1973) study describes the demographic profile of the "skid row" population of Philadelphia based on two surveys of the central city region known at the time as "skid row"; one done in 1960, and another completed in 1964. In describing the sampling procedure, the authors reveal how homelessness at the time was viewed primarily as a geographic concentration of marginally housed older men, that was, not surprisingly, soon to be replaced by a city redevelopment project: "The 1960 survey was designed as a census of the homeless and unattached male population of the Franklin Square Redevelopment area and adjacent areas and in those Philadelphia institutions which house men of similar socio-economic characteristics" (p. 229). The 1964 survey used the same geographic definition of eligibility, though it attempted to sample within the geographic area, rather than to obtain a "census."¹ The recent Pennsylvania

survey (Ryan, et al, 1989) attempted to interview all "homeless" people in the State of Pennsylvania by requesting the participation of all of the emergency shelters known to exist in the state in a one-night survey of the population. Again, simply by observing sampling differences, one can tell that the character of homelessness today and what is called "homelessness" today are very different from the days of "skid row." Nowhere in the recent Ryan et al. (1989) survey is there any mention of a geographic region known as "skid row," and no people living in SRO or cubicle hotels are considered as homeless or eligible for the survey.²

Insert Table 1 about here

As can be seen in Table 1, the first difference between Philadelphia's "skid row" in the 1960's and the "homeless" in Philadelphia in 1988, is that there were no women included in the "skid row" studies, whereas women account for 35.3% of the Philadelphia homeless in 1988, and 39.9% of the Pennsylvania homeless in 1988. The Blumberg, et al. (1973) study does not explain whether the skid row area was entirely male, or whether women were simply excluded from the study, but it does reflect the general impression at the time that homelessness and skid row was a "male condition." Most of the Pennsylvania women who were homeless in 1988 were homeless with their children (56%), with two-thirds of the remaining women being single adults without accompanying children, and the other third describing themselves as "other" (many in married couples). About 31.5% of the homeless families in Pennsylvania are headed by a male, and 31.9% of the homeless families in Pennsylvania are white. Therefore, the homeless families are predominantly comprised of "minorities," and are households headed by women.

The second dramatic shift in Philadelphia's homeless, even more significant than was suggested by the review in Chapter One, is the racial composition of the "homeless." Blumberg, et al. (1973) found that "skid row" was almost completely white, with 87% in 1960. In contrast, the homeless in Philadelphia in 1988 were 87.1% "minority," including 82.9 percent black. Similarly, across the entire state of Pennsylvania, the black population is disproportionately suffering the effects of homelessness, among whom they comprise 64.7% of the homeless population, as opposed to their 9.6% representation in the general population - an over-representation of nearly 700%! In Philadelphia, since the black population is only 38 percent of the general population, black Americans are over-represented among the city's homeless by approximately 218% - more than twice the proportion of blacks in the city's overall population.

Considering race and gender together, one can readily observe from Table 1 that the "minority male" was the most likely candidate for homelessness in the city of Philadelphia in 1988, as well as throughout the state of Pennsylvania, compared to the other gender and race groups. "Minority females," especially in Philadelphia, are also more likely to become homeless than are white men or white women. This is in contrast to the days of "skid row," when homelessness was almost entirely a problem of white males.

The findings in Philadelphia regarding the age distribution of the homeless are also supportive of the conclusion in the literature review in Chapter One, that the homeless of the 1980's have been much younger. Blumberg et al. (1973) didn't even bother reporting the age-breakdowns for the homeless on skid row under 45, as they found only 24% of the homeless in 1960 and 21% of the homeless in 1964 as under 45 years of age. In 1988, however, fully 24.2% of the homeless in Pennsylvania and 17.9% in Philadelphia were children, *under the age of 18 years*. But the single, largest age-group was the young adult population, 18-45 years old, who represented nearly 70% of

the homeless in Philadelphia. Consequently, *compared to the 24% of the homeless under 45 years of age in 1960, 86.8% were under 45 in 1988 in the city of Philadelphia.*

Of course, as suggested by the literature review, "length of time homeless" in 1960 was assumed to track people for "years" of homelessness, perhaps as a measure of one's place in the relatively permanent "skid row career." In 1988, however, the researchers detail "length of time homeless" by *months*. Partially accounted for by the changing definitions and residential institutions of homelessness, where the "homeless" label today is restricted to people in emergency shelters and excludes people in SRO or cubicle hotels or other marginal housing situations, nearly 75% of Pennsylvania's homeless have been homeless *less than a year*, compared to 17% in 1960. *More than half* of Pennsylvania's homeless in 1988 have been "homeless" for less than six months. It should of course be noted that when someone exits homelessness, by the definition of *not* living in a shelter or on the streets, that the housing situations to which people return are not necessarily stable, adequate or affordable, and may represent marginal housing also vulnerable to future episodes of homelessness. Though there is no data on Philadelphia specifically addressing this issue, it is possible that many of the new cases of homelessness are people who have had prior experiences of homelessness, and who have "exited" homelessness by moving into other marginal housing situations.

Finally, there are wide differences when comparing the overall *size* of the homeless populations in 1960 and 1988 as well. Blumberg et al. (1973) estimate that there was a total census of 2,857 people on "skid row" in 1960 in Philadelphia. Of course, since 83% of the persons who lived on skid row in 1960 had been "homeless" for more than one year, suggesting little population turnover, the census of people in Philadelphia who were "homeless" at any one point in time during 1960 was probably not much higher.

However, in 1988, approximately 6,000 people received emergency shelter *each night* in the city of Philadelphia, which, if one were to project across the year, and take account of the much higher rate of population turnover implied by shorter periods of homelessness would mean that, not excluding replications, between 10,000 and 20,000 people became homeless in Philadelphia in 1988 (Malone, 1988). Using an "annualizing" estimation procedure based on combining the reported "length of time homeless," the estimated rate of undercounting, and household size (and not excluding replications), Ryan et al. (1989) compute several possible ranges of persons who became homeless in Pennsylvania at any one time in 1988, and conclude that a minimum of 27,743 people became homeless across the state in 1988, with as many as 61,094 people possibly having become homeless. Since Philadelphia has approximately 56% of Pennsylvania's homeless, the minimum number of people who became homeless in Philadelphia in 1988, using this annualization procedure, is estimated conservatively at 15,536, with a potential maximum of 34,212. Supporting that estimate, the City of Philadelphia's Division of Adult Services reported that the *total* number of shelter placements made by the city for 1981 was 2,000, which increased to 7,000 in 1982, and to more than 15,000 in 1983 (ACES, 1984). A continuation of those trends through 1988 would suggest that the more liberal estimates of Ryan et al. (1989), though not entirely precise, may not be far off the mark.

Consistent with national trends, the homeless of Philadelphia in the 1980's are younger, larger in numbers, more likely to be in families, more likely to be "minorities," sheltered in congregate quarters instead of rented rooms, and usually "homeless" for less than a year, if not less than six months. In stark contrast to the homeless of Philadelphia in the 1960's, the problem of homelessness in the 1980's could be said to be an entirely new phenomenon compared to the days of "skid row,"

sharing little in demographics, housing characteristics, and trajectories in "homelessness." Ryan, Bartelt and Goldstein (1989) interpret their survey findings as providing evidence for systemic patterns of inequality, notable, for example, in their description of the homeless population of Pennsylvania that they found:

Who are the homeless? In sharp contrast to the general population, most are male, minority, and minority males, between 18 and 45 years of age. The data provides chilling evidence of the pervasiveness of racism and economic apartheid of young minority adults (p. 6).

Indeed, the dramatic overrepresentation of young adults and blacks, and the relatively new presence of women and children among the homeless, does suggest that some economic discrimination or the differential experience of economic change are creating a new class of poverty in Pennsylvania. Since the manifestation of this economic "apartheid" has only recently developed into a problem that has come to be known as "homelessness," there are many reasons to question the historical development of this new form of subordination and marginalization. The remainder of this chapter will investigate the potential sources of this demographic shift among the homeless by reviewing studies and statistics on Philadelphia's development and underdevelopment since World War II that shed some light on the problems of young urban adults, particularly blacks, in the 1980's. Again, the purpose of this structural analysis is to provide a critical context for understanding the personal stories of homelessness that are the subject of this thesis.

The Uneven Development of the Philadelphia Metropolitan Area

The Flow of People and Jobs

The Philadelphia metropolitan area (PMSA) is composed of the city of Philadelphia and its seven surrounding counties: Bucks, Montgomery, Chester and Delaware counties in Pennsylvania, and Burlington, Camden and Gloucester counties in New Jersey.

According to census data and census bureau estimates, the population of the Philadelphia Metropolitan Statistical Area (hereafter referred to as the **PMSA**) has grown from 3.1 million in 1930, to 4.8 million in 1985, or about +35% (in Summers & Luce, 1987). However, while the region as a whole has grown, the city is a rather notable exception. In fact, both relative to the metropolitan area, and in absolute terms, the city of Philadelphia has lost population. In 1930, Philadelphia accounted for 62% of the PMSA's population, whereas by 1985 the proportion of the PMSA's population that lived in the city declined to 34%, representing a 28 percentage point reduction in population share. After the city's population peaked at 2 million in 1950, the city began to lose population in absolute numbers as well, a trend that has continued to 1985, to the point of 1.6 million. Hence, the trend for suburbanization began to affect the city's population *share* in the PMSA after 1930, and it began to have a negative net impact on actual population after 1950 (see Table 2).

Insert Table 2 about here

The declining population of the city has been accompanied by a further decline in the employment share of the city relative to the PMSA. In 1950, Philadelphia accounted for 67.5% of the employment in the region, whereas in 1980 the employment share of the city fell to 38.6% (see Table 2). Hence while the period between 1950 and 1980 saw Philadelphia drop at a rate of 36% in its share of population, the share of employment fell at an even *higher* rate of 42.8%. Once considered a "uninucleated" economy, where the city was the prominent center of both population and employment, the PMSA has developed into a "multinucleated" economy, where several population centers with prominent shares of employment now exist around the city. Hence, beyond population

loss for the city, perhaps the most important development has been a more significant decline in its share of the region's employment.

Reflecting the fact that the *quality* of employment has shifted even further than both population and employment share, to the benefit of the outlying counties, the *income* share of the PMSA held by the city of Philadelphia has dropped from 38% in 1965 to 28% in 1984. By using data in Summers and Luce (1987), the proportion of income earned by city residents of the total income in the PMSA was calculated, and shows that Philadelphia residents have not maintained their share of the income from their share of the labor. While Philadelphia accounted for about 38% of the employment in the PMSA in 1980, it did not get its fair share of income, which stood at 30% that same year. In contrast, Montgomery county, the region's oldest suburb, was the biggest gainer from the region's decentralization. In their detailed study of the region, Summers and Luce (1987) describe some of the factors influencing the uneven development:

Montgomery, already a bedroom community before 1940, increased its population share from 9.6% to 13.6%, and its employment share went from the largest 1951 suburban share of 9.0% to the overwhelmingly largest 1980 suburban share of 19.4%. It was the largest gainer from the region's decentralization. The building of the Schuylkill Expressway connecting downtown Philadelphia to the Pennsylvania Turnpike, the construction of that turnpike across Montgomery County during the 1940's, and the attachment of the county to the interstate highway system were major developments. Access to this transportation network changed a variety of cost factors. The increased preference for trucking over rail transport was facilitated by the easy highway access. Workers were freed from having to reside near plants, so worksites could be more decentralized. The advantages of lower cost land for one-story manufacturing were not counteracted by higher transportation costs. And the development of Montgomery County as a bedroom community was further facilitated

by reduced commuting time (Summers & Luce, 1987).

Table 3 shows the changed socioeconomic profile of the the metropolitan area from 1960 to 1980. As has already been discussed, Philadelphia is the only loser in population, and in employment. As would be expected from the previous calculation of a declining income share in the PMSA, Philadelphia also had the worst growth in real per capital income, a mere 17% over 20 years, compared to the growth of 50% in real per capita income in Chester County, and 46% in Bucks County, over the same time period. Consequently, Philadelphia also registered the *largest* increase in the proportion of families living in poverty, an increase nearly two times as much as the second poorest county, Camden, and more than four times as much as the county with the third highest poverty increase, Delaware. Of compelling importance for documenting the deindustrialization of the PMSA as a whole, one can easily see in the column for "% Blue Collar" employment, that every county, without exception, has suffered deep losses in manufacturing employment, accompanied by strong increases in white collar employment. In the conclusion of a chapter on socioeconomic profiles for the counties, Summer and Luce (1987) conclude the following regarding the legacy of uneven resource distribution in the region:

There were variations among the suburbs, but the big changes were between city and suburb. The differences between the two in proportions of families in poverty, real per capital income, and proportion of highly educated adults were far greater than the differences among the counties. And, between 1960 and 1980, these differences widened. The legacy of the regional dispersal of population and employment is spelled out in these widening differentials which translated into serious fiscal burdens and very high unemployment for the city (Summers & Luce, 1987; p. 23).

Insert Table 3 about here

In order to further understand the dynamics behind declining employment and declining income for the city of Philadelphia, the decentralization and the deindustrialization of the region has to be more fully explored. In particular, declines in both income and employment in the city can be better understood as a result of an overall loss of manufacturing in the city, some of which went to the suburbs, and others of which never reappeared in the region. In addition, patterns of job-commuting are also suggestive of the growing isolation of the city of Philadelphia from the prosperity of the suburbs.

Hughes and Madden (1987) studied the shift in jobs and resident workers in the Philadelphia PMSA, in order to determine whether people followed the jobs into the suburbs, or whether the jobs followed the people. Secondly, Hughes and Madden were interested in the pattern of resident workers versus commuting workers across the PMSA counties. What they found was that the jobs followed the people into the suburbs, taking advantage of the new transportation networks that served the region, worker access, and the lower costs of locating in the suburbs. Montgomery County, for example, had an increase of 35% in employment between 1960 and 1970, accompanied by expanding numbers of people commuting into the county for work - an increase of 78%. Accommodating to the shifting employment bases of the region, city residents also increased their commuting to the suburbs, with the total number of people commuting outbound increasing from 51,905 in 1960 to 72,248 in 1980, or an increase of 38%. Hughes and Madden describe three phases of the suburbanization of employment, all of which are exemplified by different counties in the region:

These data indicate that jobs followed people to the Philadelphia suburbs. They suggest the following description of the decentralization of the Philadelphia region: a phase of early residential conversion from rural land use with increasing ties to central city employment (the Chester County case during our time period from 1960 to 1980); a phase of continued residential suburbanization and later a tipping point at which employment begins to suburbanize more rapidly than residential development (as happens in Burlington, Camden, and Gloucester during our time period); and, finally, a phase of sustained deconcentration during which jobs suburbanize at high rates and there are large increases in outbound commuting toward the new suburban employment centers (as is the case with Bucks, Delaware, and Montgomery during our time period) (p.30).

Though city residents increased their commuting to the suburbs in order to make-up for the loss in jobs, their commuting efforts could not make up for the dramatic shift in suburbanizing jobs. On the basis of employment shifts in the region across time, Hughes and Madden estimate that the relocation of jobs between 1970 and 1980 cost the city of Philadelphia 48,718 blue-collar jobs, 36,588 clerical jobs, 28,873 PMT jobs (professional, managerial, technical), 20,191 service jobs, and 19,655 sales jobs. For all of the other counties, however, the residential relocation of jobs increased the number of resident workers.

The authors conclude that "the movement of jobs and residents from Philadelphia to the surrounding counties has not consistently opened up new job opportunities in the suburbs for Philadelphia residents" (Hughes & Madden, 1987; pp. 33-34), and, as this section has helped to establish, the movement of jobs has unquestionably limited the employment opportunities in the city for city residents. As a result of these shifts in jobs and people, Philadelphia is much more oriented to white-collar, service sector employment than the PMSA as a whole (see Table 4), and is much more of a financial and

management and technical center than an industrial one, even though the lower level of college educated people in the city suggests that many of these dominant sectors are not open to the vast majority of the city's residents. Substantial proportions of suburban residents continue to commute to the city, who, because of their higher levels of education, are more likely to occupy the dominant and higher-paying PMT (professional, managerial and technical) occupations of the city than are city residents. Moreover, with transportation to the suburban jobs not easily in reach of many city residents, and with the access for college or other training for the higher-paying jobs in the city also not easily obtained by many city residents, there is a growing gap between the needs of the city residents and the development direction of the metropolitan area. These shifting patterns of job location and commuting suggest that the city and its people are growing increasingly isolated from the rest of the metropolitan area, economically and socially. Moreover, as larger numbers of people commute *between* suburban counties than to the city, suburban people are likewise becoming increasingly isolated from the city's residents.

Insert Table 4 about here

To provide further evidence of the changing Philadelphia metropolitan landscape and its employment structure, some attention should be given the distinct effects of deindustrialization on the city, though the region as a whole suffers from lower levels of manufacturing than the past, and though it has more recently enjoyed some recovery. Summers and Luce (1987) report that one of the factors that most separates Philadelphia from the other counties in employment, is the low level of manufacturing that is based in the city, "Manufacturing accounts for between 21% and 27% of total employment in the surrounding counties, but only 16% in the city (This low share is

attributable to the very low proportions of workers in the durables industries in which Philadelphia experienced severe losses over the last quarter of a century" (p. 62). As recent as 1975, 27% of the city of Philadelphia's employment was in manufacturing. Correspondingly, services now dominate the city of Philadelphia's economy, employing over 39% of the population in 1985, up from 27% in 1975, while the other counties, except one, had only 25% to 30% of their employment in services in 1985. The other counties similarly have experienced high rates of economic growth in subsectors of the economy, with every county showing growth rates higher than the nation in some subset of industries. Philadelphia, on the other hand, had a growth rate that lagged far behind the nation and the other counties in every industry. Though health, nursing and legal services remained strong points for the city, growth was still below the national average (taken from table 7.4 in Summers & Luce, 1987).

Comparing Philadelphia to other central cities, Summers and Luce (1987) find that Philadelphia has fared worse in the dispersal of industries to the suburbs than comparable cities across the country, though the suburban dispersal is a national and not just a regional trend. Comparing changes since 1970, Summers and Luce make the following conclusion:

The declining employment in the city of Philadelphia over the decade (-0.83% per year) is in contrast to the growth in the central cities of the comparison set of metropolitan areas (0.69% per year). The result, of course, was a decline in Philadelphia's employment share of 9.3 percentage points, compared with the more general national decline of 6.3 percentage points. Philadelphia was more unattractive relative to its suburbs than the national average. It wasn't the dispersal trend alone that accounted for the shrinking of the metropolitan nucleus. Manufacturing was the sector with the largest comparative disadvantage.

Philadelphia's regional share declined 11.9 percentage points, while other central cities' shares declined by only 6.2 percentage points on average. *There was no industrial sector, except professional services, in which this region's central city was not a greater-than-average loser. The other side of that coin, of course, is that there was no industrial sector, except professional services, in which this region's suburbs was not a greater-than-average winner*" (pp. 79-80, emphasis added).

While most of the nation's urban areas decentralized and deindustrialized, the Philadelphia area decentralized and deindustrialized more. Moreover, even as recent re-industrialization has taken place in the metropolitan area, it has not benefitted city residents as much as it has the suburban populations, as new industries have largely turned away from the city as an employment base.

It is worth noting that the re-industrialization that has brought recovery and higher growth to the Philadelphia metropolitan area as a whole in recent years, though not to the central city, has been concentrated in the high technology and service industries. The PMSA is ranked fifth in the nation in the number of people employed in the high technology industries (Luce, 1987). The region's high tech strength is in computer services and data processing, communications equipment - much of it defense contracting work - and pharmaceuticals. Attracted by the higher educational institutions and defense installations of the city, high tech continues to hold growth benefits for the region as a whole, though confined to a smaller number of high tech specialties than when the sector began to grow in the late 1970's. And as Bluestone and Harrison (1982) comment with regard to similar "re-industrialization" in New England, the growth of high tech and service industries hardly compensates for the losses suffered in manufacturing. Despite massive job creation, wage levels have actually fallen. Bluestone and Harrison also report that this type of economic development produces an increasingly unequal distribution of income, both between and within

industries, as the Philadelphia metropolitan area also demonstrates, and which will be examined later. In addition, employment is increasingly unstable as there is a growing incidence of part-time and temporary work required, high employee turnover resulting from low wage levels and poor benefits, and the geographic dispersal of the growing industries to take advantage of pools of cheaper labor, lower pressures from unions, and lower taxes.

The annual "Book of Business Lists," published by the *Philadelphia Business Journal* (1989), lists the region's *largest* employers by county, and is quite revealing of both the dominance of high technology in the suburbs and the dependence of high tech industries on the financing of the Department of Defense: USX in Bucks County, Unisys in Chester County, Boeing in Delaware County, General Electric (Aerospace headquarters) and Unisys in Montgomery County, General Electric in Burlington County (RCA Missile and Surface Radar), General Electric in Camden (RCA Aerospace and Defense, and Government Communication Systems) - all of which are either *the top* employers in their respective counties, or second *only* to the US Departments of Navy, Air Force and Army, or, as in one case, the municipality itself.

In concluding this section on the movement of jobs and people in the Philadelphia metropolitan area, it is obvious that the city of Philadelphia has suffered some major setbacks as a result of the decentralization and deindustrialization of the region's economic structure. The effect on wages, unemployment, and occupational segregation, particular for those who are over-represented among the homeless, will be explored in a later section, but there is ample reason to believe that regional economic pressures have had a dramatic effect on the city's people, and that they have contributed to the crises of the city. Low growth and declines in population, employment, income and industry, furthermore affect the tax-base of the city, hence compounding urban

problems by limiting the availability and quality of city services. The distance between many suburban and city residents is growing, socially and economically, and the potential effects of that distance are most disconcerting.

The Racial and Economic Structure of the Philadelphia Region

In 1930, among the city of Philadelphia's 1.95 million people, was a significant, but relatively small black population of 222,155, or 11.4% of the city's people. Reflecting the dislocation of rural workers during the Dustbowl era and the Great Depression, the black population in Philadelphia grew by 30,000 in the 1930's, bringing the overall population to 252,757 in 1940, or 13.1% of the population. Up until World War II in Philadelphia, like most cities across the country, rural populations were slowly making their way to urban centers, African Americans among them.³ However, in Philadelphia at least, the population was decidedly dominated by white people, and the in-migration of black Americans was slow (Population figures in this section are all based on the decennial census counts from the US Bureau of the Census, see Table 5).

Insert Table 5 about here

During and after the war, things would change dramatically. The war brought increased demand for labor in urban centers, just as mechanization was driving farm laborers out of demand in agriculture. In search of opportunities that the war economy brought to urban industry, and the industrial expansion that would follow the war, millions of American families, black and white, migrated to urban centers. In contrast to the 30,000 African Americans who migrated to Philadelphia in the 1930's, the 1940's brought nearly 130,000 new arrivals, gaining in proportion of the city's population from 13% to 18.3%. In other words, the black population in Philadelphia grew by *more than half its size* in the 1940's alone. Since the city's population as a

whole grew only 60,000 in the time period between 1940 and 1950, much of the *proportionate* growth of blacks in the city was due to the beginnings of the suburbanizing trend of whites. More than 450,000 people moved into the outlying counties in that decade alone.

The Philadelphia black population grew another 156,000 in the 1950's, the decade that would see the most dramatic shift in racial profile for the metropolitan area. The city began losing population despite the growth in black Americans, a decline of about 70,000 people from 1950 to 1960, as many more white people left the city than did black people who entered it. The suburbs experienced an explosion in growth of approximately 70% as a result. Nearly 744,000 people were added to the surrounding counties of Philadelphia that decade, nearly *five times* the number of black people who entered the city. Hence, people who are black now accounted for 26.2% of the Philadelphia population, a growth of 8 percentage points from 1950. It is important to recognize, however, that the proportional increase of blacks relative to whites in the city was *primarily* attributable to the outmigration of white people to the suburbs - which for the first time had a higher population than the city - and secondarily accounted for by an increase in the absolute number of black people. Much more effective for advancing the development interests of the suburban profiteers than the specter of racial diversity in the city, was the realization of the suburban ambitions that they could provide.

Both trends continued into the 1960's, though both to a lesser degree than the sweeping population movements of the 1950's. Another 534,000 people joined the ranks of the surrounding counties - a 19% growth, while the city of Philadelphia lost another 50,000 people. The growth of the black population in the city was again substantial, though less than the prior decade. Blacks increased in population by 126,000 from 1960 to 1970, an increase, combined with the decline in the city's

population, that resulted in a 7 percentage point growth in the black population's share of the city population. Blacks accounted for 33.6% of the city's population in 1970, an increase again *primarily* attributable to outmigration to the suburbs, more than the influx of blacks, as the outlying counties gained more than four times in population than did the city's black population (see Table 6)

Insert Table 6 about here

By the 1980 Census, blacks accounted for 37.8% of Philadelphia's population, a dramatic change from the 11.4% of 1930, or the 18.3% of 1950. This 4.2 percentage point increase in population share over 1970 was again mostly due to a loss in urban population (261,000), part of which led to a 175,000 population gain in the suburbs. In fact, the black population in the city, despite its growing population share, also *lost* people in the 1970's, as 65,000 fewer blacks lived in the city in 1980 as in 1970.

The dispersal of the black population into the surrounding counties had already begun by 1970 with 23% of the region's black population living in the surrounding counties - primarily in the city of Camden - though this dispersal occurred to a far lesser extent than among whites. By 1980, 28% of the region's black population lived outside of the city of Philadelphia. Hence, the migration to Philadelphia had not only stopped, but reversed in the 1970's, though the proportionate strength of the black population in the city continued to grow. It is important to note the growing Hispanic presence in Philadelphia, accounting for 3.8% of the population in 1980, though it remains relatively small. Of the city's nearly 1.7 million people in 1980, more than 64,000 were Hispanic.

Since 1980, estimates of the city's population continue to show a decline in the

number of people in the overall population, to 1.63 million in 1985. Estimates available from the Census Bureau report only "white and nonwhite," not further distinguishing among the nonwhite population, but do indicate that trends have stabilized somewhat, with 41% of the population reported as "nonwhite." Given that three or four percent points in that figure represent Hispanics, the black population has not grown in population share since 1980. However, the 1990 census will have to provide further evidence.

Since the 1940's, increases in black migration and population in the Philadelphia region has generally meant movement into city areas that were left for better housing by suburbanizing residents, or other city residents who moved up into the housing stock vacated by suburbanizing families. Through segregation and changes in segregation borders, many of the new arrivals came to occupy what was already marginal housing for many blacks and whites. Through a kind of trickle-down to the point of trickling-out process, the people with the fewest resources, many of whom were also new arrivals, inherited the worst quality housing that was left for whoever would take it, and new arrivals frequently had no other choice. As Checkoway (1986) has noted, immediately after WWII the housing stock in Philadelphia was already suffering from deterioration and abandonment, with nearly one-third of the housing considered unfit for human habitation. It was into those conditions, accompanied by a deteriorating manufacturing base in the city, that the majority of the city's black people arrived in the 1950's and 1960's.

Finally concerning the racial structure of the PMSA, as a result of some combination of discrimination, financial and social limitations on migration patterns, and personal choice, the black population is disproportionately concentrated in the city of Philadelphia compared to the surrounding counties, though there are significant numbers of blacks who are also suburbanizing. While blacks have accounted for 18-

19% of the total PMSA since 1970 (see Table 6), only in Philadelphia have they achieved at least that proportionate representation in the population, where they are quite over-represented. In the surrounding counties, as of 1980, five of them had fewer than 10% of their population as people who are black, with only Camden and Gloucester showing percentages higher than 10%, at 14% and 13% respectively. Bucks County had the lowest proportion of black citizens, with only 2%, followed closely by Montgomery County with only 5%. It should be noted that neither Bucks nor Montgomery Counties improved in their representation of African Americans in the population from 1970 to 1980. Small growths in the number of black residents improved black representation in Camden, an urban center, Burlington, and Delaware Counties. Consequently, the rather obvious conclusion is that though many blacks have dispersed into the suburbs, especially in the 1970's, and even more in the 1980's, the black population remains disproportionately concentrated in the city of Philadelphia, as well as the city of Camden, and consequently, disproportionately suffers the effects of the urban crisis. Undoubtedly, this reflects a combination of some prior discrimination on the residential choices of black citizens, the social and economic limitations on many to pursue suburban preferences, as well as some preferences for living in the city of Philadelphia, though further analysis would have to determine the degree of influence among factors.

Insert Table 7 about here

Considering for a moment the *economic* structure of the PMSA, the variation in poverty rates across the region reveals a similar pattern of disproportionate concentrations of people with little money in the city of Philadelphia relative to the surrounding counties, a trend that has worsened in the last several decades. As a result

of suburbanizing trends by hundreds of thousands of Philadelphia residents, and the deindustrialization and decentralization of industry, higher concentrations of people with incomes below the poverty level have been left behind in the central city areas. Table 7 shows that Philadelphia had 180% of the poverty rate of the overall PMSA in 1980, while in 1970, it had 160% of the poverty rate of the PMSA. Poverty in the region did increase between 1970 and 1980 to 11.7%, but closer examination reveals how disproportionately that increase was spread throughout the region, especially in the city of Philadelphia where the poverty rate was 20.6%. Philadelphia clearly had the greatest increase in the proportion of families in poverty, with an increase of 5.2 percentage points from 1970 to 1980, or a 34% increase over 1970. Bucks, Camden, Delaware, and Gloucester Counties all had much smaller increases, with only Camden and Delaware increasing more than one percentage point - 2.9 percentage points and 1.1 percentage points respectively. The remaining counties saw either no increases in the proportions of poor, or actual decreases. Burlington stayed the same, at 6.3%, while Chester's poverty rate declined to 6.4% and Montgomery County's poverty rate fell to 4.7%. Recognizing that the federally-defined poverty level has many shortcomings and does not reflect the true extent of need in the population, it is an indicator of how much of the region's impoverishment has been forced on city residents. Moreover, since the region's poverty rate has not significantly dispersed across time, but in fact has concentrated even further, it is evidence that some combination of uneven economic development, restrictions on the geographic mobility of people in poverty, and urban living preferences for people among the poor, are leading to economic segregation in the region; consequently, a disproportionate suffering of the city's difficulties among those same people.

Another indicator of economic segregation in the region can be found in the

disproportionate distribution of income, of which poverty is only one dimension. "Per capita income," for example, varies greatly throughout the region, with a high of \$15,132 in Montgomery County, and a low of \$8,807 in Philadelphia in 1985 (Bureau of Census, 1986; Local Population Estimates: Northeast, P26 no. 86 Table 1). While Montgomery county had only 32% of Philadelphia's population in 1985, it had 65% of Philadelphia's total personal income (derived from D.6 in Summers & Luce, 1987). In other words, Montgomery is getting *twice* the amount of income for its population compared to city residents. Such disparities have much more serious and harmful effects than numbers alone can describe. But the fact of disparities on some quantifiable dimensions is dramatically evident.

It should be pointed out that the suburbs and surrounding counties are not themselves uniform, and do have quite a bit of diversity among them, including some sections with high poverty rates. In fact, every county with the exception of Bucks County had a "municipal civil division," (MCD) or a borough or township, with a poverty rate *in excess* of the poverty rate for the city of Philadelphia (Summers & Luce, 1987). Burlington County, for example, had one MCD with 27.8% of its population living in poverty. Summers and Luce (1987) report that comparing 1970 with 1980, the surrounding counties as a group show an increased spread between the richest and poorest towns, accentuating "the already substantial differences within counties" (p. 41). Hence, reflecting the national trend for greater income inequalities *within* the growing service and high technology industries, the suburbs have also experienced wider disparities in their income distributions. However, overall, the surrounding counties, as a group, are distinct from the city of Philadelphia concerning both the prevalence of poverty and racial composition.

Considering the combined effects of race and poverty, household demographics for the city of Philadelphia reveal that despite being only 38% of the city's population, blacks

accounted for 53% of the city's poor households in 1980 (Dolbeare, 1988). While 40% of the people with below poverty incomes were white, the majority were black. The poverty rate for black households in Philadelphia was 27% in 1987, whereas for white households it was nearly half that rate, at 14%. This concentration of poverty among black households in the city undoubtedly influences the higher proportion of blacks among the homeless, especially considering that high concentrations of poverty in racially segregated neighborhoods would be likely to limit the availability of social and economic supports in the community and the neighborhood that could cushion the effects of residential instability. In contrast, given that whites have a lower concentration of poverty, more resources are likely to be available in white communities that can help them to resist the pressures toward homelessness. A recent study by the National League of Cities (*New York Times*, March 12, 1989), similarly reports that across the country, black and Hispanic Americans are more likely to live in extremely poor neighborhoods than are poor white people. Moreover, the report concurs that poverty in metropolitan areas is increasingly concentrated in central city areas, with increasing isolation of the cities from the rest of metropolitan areas, and with "clear differences in social, economic and physical conditions" (p. 22).

Quite obviously, the undesirable consequences of decentralization, deindustrialization and suburbanization in the PMSA in the last four decades are much more directly realized by the increasing concentrations of people in the city of Philadelphia who have little money and/or who are black, than the rest of the PMSA, though none of the counties in the PMSA has been unaffected. With the devastating effect on the tax-base of the city that results from declining population, employment, and income, and rising poverty and dependence on city services, a crisis has obviously been at hand in the city of Philadelphia, if not waiting to happen. Statistics alone cannot

communicate the gravity of these facts. But it is especially notable that the majority of Philadelphia's black population arrived in the city when the suburban expansion was beginning, and the suburbs being primarily a white peoples' dominion, much of the black population inherited the dilapidated and shoddy housing of the city that hundreds of thousands of whites were leaving behind. Following federal support for the suburbanizing interests of the population, and federal support for highways and interstate transportation networks, soon industry would reconfigure outside of the city, just as much of the population did. Hence, many of the newly arrived black population not only inherited poor housing, for which there was decreasing federal support, but they inherited a labor market that was displacing jobs from the city, and whose character was transforming to both a low-waged service economy dominated by black workers, and a high-waged professional, managerial and technical center dominated by white workers.

The National Context of Philadelphia's (Under-) Development

The two forces that most influenced the differential development process for the Philadelphia metropolitan area since World War II were suburbanization and deindustrialization. The legacy of growing inequalities, both in income and in the physical conditions of community life, have left lasting divisions between the suburbs and the city. But these differences are not only the result of regional development trends, though they have become most dramatically evident in the regional variations of the quality of life. Both suburbanization and deindustrialization are shifts that have characterized the development process in metropolitan areas across the United States. These shifts will be briefly discussed here in their national context before looking more closely at the more recent impact of the housing and income crises left behind in the city of Philadelphia.

Suburbanization. Following the Great Depression and World War II, the United

States was in the midst of a serious housing crisis. In 1947, between 2.75 million and 4.4 million families in the United States were living with other families and 500,000 more were occupying transient or nonfamily quarters (Checkoway, 1986). The federal government took advantage of the growing political will for housing development, and of the need for a stimulus to get plants modernizing and producing, and led the initiative for suburban housing development that would make the American Dream of homeownership an attainable goal for many working class families. One of the largest public-private partnerships in American history was forged in the 1950's, with banks, real estate developers, the building trades, and the suburban housing consumer all seen as beneficiaries, and with the conservatism fostered by homeownership seen as politically appealing by government officials. Contrary to popular images, however, suburban housing development did not grow merely out of the demands of housing consumers, but was made possible by a political coalition among those who would profit, and who then acted to influence government financing in the direction of the suburbs and away from any public housing development for the low income populations of the city - who also were in desperate need of housing investment.

Housebuilding immediately after the war was dominated by small local builders. With the federal support for suburban development that came with the 1950's, soon large builders became dominant; a class of operators who reduced costs through direct buying of materials, factory engineering and prefabrication, through applying mass production techniques to home-building, and by utilizing advances in materials and equipment made by government research laboratories (Dietz, et al., 1959). Such large builders became politically powerful in local elections, and soon the National Association of Real Estate Boards (NAREB, later becoming the National Association of Realtors), and the National Association of Home Builders (NAHB), were activists in the pursuit of a federal agenda sympathetic to their interests. Combined with the influence of bankers

and land speculators, who often bought huge amounts of farm land for the purposes of enticing and speculating on the suburban sprawl, a coalition of powerful interests pressured the federal government to finance single-family home development in the suburbs, all the while discouraging any forms of socially owned and financed homes in the city (Checkoway, 1986).

As a result of this coalition, large builders were offered billions of dollars of credit by the federal government. The Federal Housing Administration (FHA), as a profit-making enterprise, gave in to the bankers' wisdom of the period that the inner cities were a bad investment, and systematically began to restrict FHA assistance in urban areas - a pioneering form of red-lining. Starting in 1950, Congress accommodated to the demands of bankers and builders, and granted annual increases in FHA mortgage insurance, while it whittled away at the meager allocations for public housing investment in the city. Between 1950 and 1954, FHA mortgage insurance programs received increases totalling more than \$25 billion, with restrictions written into programs intended to favor suburban development. Meanwhile, public housing authorizations went from 75,000 units in 1950, to 50,000 units in 1951, to 35,000 units in 1953, and to 20,000 units in 1954 - with the added condition that unwanted public housing under construction could be stopped by the locality (US Congress, Subcommittee on Housing and Urban Development, 1975; Checkoway, 1986). Federal support for publicly-owned housing in the city was not only precipitously eroded, but the housing that was constructed was purposely sparse, underfinanced, undermaintained and architecturally "minimalist," at best. Public housing from the era, where it still stands, reflects the federal government's (de)valuation of such housing, as well as its occupants, but has been remembered, most ironically, as a sign of the "failure" of "public enterprise."

The legacy of suburban development is now well known, as has been previously illustrated in the case of Philadelphia. An exodus of families from the deteriorating housing of the city left higher concentrations of poverty behind, particularly among the city's newly arrived black families, who were very likely to be in poverty or of low-income. Federally financed highway development enabled the preference for trucking over rail transport, which further contributed to the movement of industry to suburban industrial zones, where single-story manufacturing made construction costs cheaper. The end result was the geographic decentralization of regional economies, both in housing and in industry, as the Philadelphia Metropolitan area so dramatically exemplifies.

Deindustrialization. The deindustrialization of the Philadelphia region over the last 25 years has also not been an aberration, nor a mere local malady. As Bluestone and Harrison (1982) detail in their study, *The Deindustrialization of America*, the declining prominence of manufacturing in the United States, and cities like Philadelphia, is the consequence of a much larger, national and international strategy on the part of multinational corporations to rescue profits from the rising foreign competition posed by Europe and Asia. Using various strategies of "disinvestment," many American corporations have developed investment strategies that have limited, and in some cases undermined, the growth potential of the manufacturing base of the United States. Since the 1960's, and throughout the 1970's and 1980's, multinationals have attempted to preserve levels of profitability by devoting increasing shares of investment resources to mergers with other companies and for the acquisition of existing businesses, and by "exporting" jobs through foreign investment, all the while trimming employment and closing plants in the United States. Instead of modernizing plants and investing in the education, training and quality of life for the American workforce, companies have used investment capital to "conglomerate," by consolidating major enterprises and centralizing management, and by establishing foreign operating bases that provide lower

operating expenses, fewer regulations regarding worker health and safety, very low wages and an enticing environment for shielding profits from taxes. Bluestone and Harrison furthermore show how federal tax policy has supported the international expansion of capital, and the severe losses that have resulted for public revenues, and how such events have undermined wages and worker security in the United States, and forced damaging social and economic "ripple" effects among workers' families and throughout American communities.

Bluestone and Harrison's study is complex, and their policy suggestions are controversial, and cannot be adequately summarized here, nor given the important attention which they deserve. However, their findings do provide a critical piece for understanding why deindustrialization has occurred in cities like Philadelphia, and how the decisions made by major corporations and their partners in government, driven by the desire for short-term profit, have deep and lasting effects on the future prospects for employment and on the depression of wages for communities throughout the country like Philadelphia.

The Housing and Income Crisis of the City of Philadelphia

Having considered some of the historical forces behind the privileging of suburban development over urban development, and the segregation of poverty risks and people who are black in the city, the specific problems of the housing and income crises that have become so dramatically manifest in the 1980's can now be more carefully considered, particularly as they affect prominent groups represented among the homeless. This section will examine the condition, supply and cost of housing in the city of Philadelphia in the 1980's, and factors such as housing finance, government expenditures, and speculation and gentrification, that have affected the housing market in the city. Secondly, a closer look at the declining level of income among city residents will be examined, particularly as it has been affected by the dominance of low wages, the

service economy, occupational segregation, the deterioration of the value of income transfers against inflation, and youth unemployment, underemployment and undertraining. Finally, this section will conclude with a closer look at the declining levels of federal support that the city has received in the 1980's, and the effect of declining population and income on the fiscal responsibilities of the local government of the city of Philadelphia.

Housing and Income in Relationship to Each Another

In a recent, detailed study of housing in Philadelphia, Cushing Dolbeare (1988) has documented the results of many of the income and housing patterns which this chapter has thus far suggested. Declining real income, a deteriorating housing stock, and housing costs that have significantly outpaced peoples' ability to pay, are facts that are clearly outlined in Dolbeare's study. On the basis of a compilation of data sources from the Annual Housing Surveys, the changing cost of housing relative to income will here be briefly discussed, and then some more careful attention given to the more recent sources of both housing and income problems.

One of the best indicators of housing affordability is the rent-income ratio, or the proportion of income that goes toward housing costs. The Philadelphia story regarding the rent:income ratio is one not unlike the story for many of the urban centers of the United States. For a long time, a standard of 25% of household income going for housing expenses was considered the limit of "affordability." The United States Department of Housing and Urban Development (HUD) used the 25% standard for years to determine appropriate housing costs for recipients of federal housing subsidies - the proportion paid out of total personal income by the consumer, after which the government would pay the rest. However, in the early 1980's, HUD redefined "affordable" housing as that housing which cost 30% of household income. In other words, the federal government

wanted to subsidize less the people who needed it most, and make the people with the least money and who qualified for assistance pay more for their housing. In effect, it required a 5% increase in the amount of income that poverty groups would have to pay for housing.⁴

Insert Figure 1 about here

Given this rather arbitrary, but nonetheless important, "30% of income" standard, we can ask what proportion of Philadelphia households have "affordable" housing, and how much "affordable" housing there is given the income of the population. According to Figure 1, in 1970, the median rent-income ratio for all renter households in Philadelphia was 20%, 10% below affordable, and only 2% higher for blacks. By this measure at least, in 1970 people had a relatively adequate supply of "affordable" housing. There may have been other problems with the housing, such as inadequate plumbing or heating, or broken windows, but people could at least afford it. By 1975, the median rent-income ratio grew to 30% for blacks - at the borders of "affordable" - and to 24% for whites, or still affordable. So, the divergence of whites and blacks in "affordability" was growing by 1975. By 1982, a startling shift occurred, suggestive of why black Americans came to dominate the homeless in the 1980's. The median rent-income ratio for blacks rose to 51%, while it still hovered near "affordable" for whites at 29%. By 1988, the white renter population went further *below* the affordability limit to 26%, while the rent-income ratio for blacks grew to 53% (see Figure 1). On the basis of this data, it appears that skin color is a very important determinant of one's access to "affordable" housing. One could hypothesize that because the black population is much more dependent on renting, is primarily housed in racially segregated neighborhoods, and has significantly lower incomes compared to whites, that a higher

rent-to-income ratio is expected to concentrate among blacks, if among any group.

Insert Figure 2 about here

Insert Table 8 about here

Figure 2 and Table 8 further show the affordability problem facing black renter households, particularly for the estimated 42,000 black renter households in 1988 making under \$5,000 a year. There is a pool of fewer than 5,000 housing units that these 42,000 households can afford, and given the marketplace for housing, they probably are not appealing units at that. Roughly estimated, that's a deficit of 37,000 "affordable" housing units for the segment of the population with the least money.

Figure 2 shows that the household affordability problem for the black population is concentrated among this under \$5,000 annual income group. The other income groups have a fairly adequate supply of housing that they can afford, with the exception of a small amount of households in the \$15-\$25,000 level, and a significant group in the \$25,000 or more income group, who seem to have a shortage in the amount of housing at the upper limits of quality and price which they can afford. In other words, they may be able to afford better and more expensive housing, but it just isn't there, or their income has outpaced the gradient of housing costs. Consequently, these upper income groups put downward pressure on the supply of "affordably" priced housing for the other groups, just as they put upward pressure on the cost of that housing. The graphic result is that there are 37,000 households making under \$5,000 a year for whom there is a desperate need for "affordable" units, and who are, at the least, at serious *risk* of

homelessness, if they are not yet already homeless.

The problem for white households is similar, but less extreme. In 1988, about 28,000 households were making under \$5,000 a year, though there were fewer than 1,000 units for them to "afford." Again, one has to wonder where these remaining 27,000 households are living, and what conditions they face, since they undoubtedly have much less money for food and non-housing expenses than in previous years, if they have found and are paying for housing beyond what is defined as "affordable" (see Table 8).

Insert Figure 3 about here

Even when including the situation of homeowners, as shown in Figure 3, since 1975, the biggest loser, proportionately, has been the percentage of households with "affordable" housing expenses, while the biggest gainer has been the percentage of households *paying more than 60% of their income on housing expenses* - two times the affordability limit. The affordability problem for homeowners is a serious one, especially for elder households, who constitute the majority of poor homeowners. Many of these households can't make the rising costs of utility payments or afford property taxes on their limited incomes. Some may be "housing rich, money poor," in the overstated sense of having more housing resources than cash flow. But the majority of poor are *not* homeowners, but renters, and their situation, comparatively, is equally pressing, if not more. Figure 4 shows the cost-income ratio for all renters, and one can see again that the proportion of people in "affordable" housing since 1975 has steadily declined, while the biggest increases by 1988 have been among the group paying 35-49% of their income on housing, and the group paying more than 60% of their income on housing. Consider it for a moment - 60% of one's income going for housing expenses,

especially when one's income is below the poverty level, or say \$5,000 to \$10,000 annually, depending on the number of people in the household. That leaves \$2,000 to \$4,000 *at the most*, for the rest of one's expenses for the year, including health insurance and food, if one is among the many poor or near-poor households that don't qualify for public assistance, or if, as for most public assistance recipients, the assistance one receives is inadequate or limited in time. This is not to mention the fact that such a household will undoubtedly need many other necessities such as clothes, appliances, laundry, repair services, furniture, telephone, transportation, recreation and opportunities for cultural appreciation.

Insert Figure 4 about here

In figure after figure in Dolbeare's study, the facts are clear. People are paying much more for their housing relative to their income in 1988 as compared to 1970, particularly households that have below poverty level incomes, and black households.

There is no other possible conclusion, based on the data Dolbeare has used from the Annual Housing Surveys, than to admit to the devastating picture of a housing crisis in Philadelphia. One additional figure is the deficit/surplus graph provided in Dolbeare, included here as Figure 5. Quite obviously, the deficit in units affordable to the lowest income group, or annual income under \$5,000, is substantial, somewhere around 65,000 missing housing units, while there is a surplus in housing affordable to those who make between \$5,000 and \$15,000 of over 100,000 units. One conclusion, at least for part of the Philadelphia housing problem, seems to be a simple one: much of the housing is there, but people don't have the money to afford it.

Insert Figure 5 about here

Concurrent with problems of affordability, the Dolbeare study also documents residential satisfaction with housing and neighborhood attributes. In way of summarizing the data on selected housing deficiencies, Philadelphia residents as a whole, are less happy with the quality of their housing and their neighborhoods in 1987 compared to 1975. For example, the percent of people reporting "holes or cracks in the walls or ceilings" rose from 10% in 1975 to 16% in 1987. Similarly, "leaks in the roof" were reported by 14% of all households in 1987, compared to 8% in 1975. "Holes in floors" rose from 3.8% in 1975 to 8.5% in 1987. "Faulty or exposed wiring" was reported in 5.5% of the households in 1987, compared to only 1% in 1975 - a four hundred and fifty percent increase. The number of households reporting signs of mice or rats more than doubled since 1975 to 164,000. Nearly one-third, or 30.4% report problems with boarded up or abandoned buildings in their neighborhoods. Forty-two percent report a problem with neighborhood crime in 1987, up from 33% in 1975. So, not only are people paying more of their income toward housing expenses, but based on resident evaluations, they are getting *far* less quality for their money.

Considering these rather significant shifts in the affordability and quality of housing from 1975 to 1987, one is led to ask "Why have such patterns developed?" The fact that such measures show change *across time* leads one to assume that some negative forces have altered the economic structure of housing and labor, forces that one would assume could be redressed given adequate political and financial attention. To better understand the complex mix of housing and income problems which have resulted in these rising rent:income ratios, the two areas will be considered separately in greater detail below.

The Housing Part of the Crisis

Deterioration, Gentrification, Speculation, Segregation. In 1988, there were 648,000 households in the city of Philadelphia. Slightly more than half (60%), or 391,000 were owners, and 257,000 were renters. Approximately 195,000 owner and renter households were paying more than 30% of their income on housing, including 129,000 who were paying more than 60% of their income on housing, meaning that at least 30% of all households needed housing assistance. However, Philadelphia had only 34,000 subsidized housing units in 1988, leaving 161,000 households in need, or 83% of the housing-needy population. The housing affordability problem in Philadelphia, outlined above, is much like that occurring in many post-industrial cities. As the housing stock decays, and housing is demolished, the quality and supply of the housing available to low-income groups declines to the point of disappearing, and housing costs are driven upward by the forces of gentrification, high interest rates, and speculation on the housing market.

Reflecting the post-industrial trend in urban centers of removing old housing that was available to low income people and creating new housing that is quite unaffordable to low income people, Adams (1986), in a study of homelessness in Philadelphia and London, reports that Philadelphia demolished 8,900 housing units between 1975 and 1978 that rented at a median price of \$115 a month. During that same period, the 3,000 housing units that were created in Philadelphia could hardly make up the difference, especially since they rented at a median monthly price of \$302. That small time period shows the trend in central cities like Philadelphia, where the profitable housing ventures are obviously not to serve low-income populations, but to remove the "idle" or decaying housing stock that has "trickled down" or "trickled out" to them, and to create higher cost housing to serve the higher-paid managerial workers who have come into the city along with the expanding white collar service economy:

The service city, specializing in communication and information and increasingly embedded in the international economy, requires a different physical plant than was required by manufacturing centers. Urban redevelopment programs have led to the demolition of low-rent housing and its replacement by higher-order uses: offices, retail complexes and luxury high-rise apartments. As central city employment has shifted toward the services, especially finance, distribution, educational and professional services, white collar workers have moved into what were formerly blue-collar neighborhoods, buying and renovating houses. (Adams, 1986; p. 5).

Meanwhile, the selling and refinancing of existing rental housing at the high interest rates and speculative margin of urban centers, has driven rental costs and mortgage costs to increasingly higher prices than the rising costs of other consumer goods. According to the consumer price index, rent and residential expenses in the PMSA have risen faster than the average annual change in the consumer price index (CPI) in four of the five years from 1980 to 1985 (derived from table D.4 in Summers and Luce, 1987). The average annual change in the CPI between 1982 and 1985 was 4.4%, while prices for rent and residential expenses grew an annual average rate of 7.7% - a 75% higher rate of increase than the CPI as a whole.

Contributing to the loss of urban housing stock, in deteriorating areas that have not yet been targeted for development, frequently owners will forego paying taxes, and let properties decay to the point of abandonment, either as a result of losing money, or in hopes of later potential resale possibilities, when and if "gentrification" ever arrives. The inability to secure mortgages for resale or refinancing, or maintenance loans, particularly for poor or "minority" neighborhoods, frequently encourages investors to abandon properties, or to keep structures vacant in anticipation of demolition and renovation (Adams, 1986).

In a study of mortgage lending discrimination in the Philadelphia metropolitan area,

Ira Goldstein (1986) provides further evidence of the systemic factors that lead to decay and abandonment in some areas, and gentrification and development in others. Before reviewing the findings, Goldstein's review of the literature shows that discriminatory mortgage-lending is not a new phenomenon:

Redlining, the systematic exclusion of neighborhoods typically because of the racial or ethnic composition of these neighborhoods, has been and continues to be--even though legislatively prohibited--a persistent problem facing urban neighborhoods. Berry and Kasarda (1977) document both an implicit and explicit policy of redlining written into early FHA appraisal manuals. Bartelt (1984) uncovered redlining by the Homeowner's Loan Corporation as far back as 1936 based not only on the structural characteristics of the a neighborhood (e.g., manufacturing job access, usage as a street-car suburb, owner occupancy, age of housing, stability, distance from center and value) but also on the racial composition of a neighborhood...More recently, Harvey in Baltimore (1977), Kotranski in Philadelphia (1981), Shlay in Washington D.C. and Chicago (1985; 1986), Taggart and Smith in Boston (1981), Tomer in New York (1980) and Bradford (1979) document notably low levels of conventional mortgage activity in racially impacted neighborhoods and neighborhoods undergoing racial change (Goldstein, 1986; pp. 3-4).

Using data distributed by the Federal Financial Institutions Examination Council, which makes available information on mortgage activity at the census tract level, as required by the Home Mortgage Disclosure Act of 1974, Goldstein studied the relationship between indicators of housing stock, neighborhood, population and the spatial distribution of conventional mortgages between 1982 and 1984 in the PMSA. In way of summarizing Goldstein's findings the following conclusions are listed:

1. Suburbs had greater conventional mortgage activity than the city, with city census tracts averaging only 93% of the number of loans made in suburban tracts, with the vast majority of city loans and mortgage value concentrated in the central city business district.

2. Tracts with income above the median had substantially higher numbers of mortgage loans approved than those areas with incomes below the median.

3. Loans were granted more often in newer neighborhoods, with higher levels of owner-occupancy. In the city, loans were "notably low" in the least stable areas (areas with population turnover), but significantly greater in stable areas.

4. "By racial composition, the pattern is both striking and disturbing. In the suburban ring, tracts which are less than 10% Black received an average of 70.4 loans for an average aggregate value of \$4.1 million. Areas which are over 90% Black received an average of 9.1 loans for an average aggregate value of \$300 thousand. Predominantly White city tracts received 77.5 loans for an average aggregate value of \$2.8 million. Predominantly Black city tracts received on average 61.7 loans for an average aggregate dollar value of \$520 thousand" (Goldstein, 1986; p. 8).

Because city- or county-wide levels of analysis can potentially conceal what occurs at the neighborhood level, detail at the census tract level was required to assess the actual degree of lending discrimination. And Goldstein finds that even independent of the characteristics of the housing stock and the income of residents, Black and Hispanic neighborhoods in both the city and the suburbs received fewer and less valuable mortgage loans than white neighborhoods. While one could argue that such neighborhoods had less demand for mortgages, median family income of neighborhood residents has served as a proxy measure for the demand for capital in this study. Findings could be further confirmed by a study of actual requests for mortgages. Moreover, the author is careful not to say that nonwhites are being denied mortgages, but that banks "are not

providing conventional mortgages to people trying to purchase homes in nonwhite neighborhoods" (p. 22). Even considering these qualifications, this study provides compelling evidence for how poverty and "minority" areas are often caught in the cycle of a "self-fulfilling" prophecy, where communities without money and investment will naturally run down by continuing to be denied money and investment. Combined with evidence that real estate brokers steer nonwhite households to nonwhite areas (Pearce, 1979), and that insurance companies are often unwilling to provide property and casualty insurance in those same areas, it is obvious that the deterioration and the financial demarcation of poor and "minority" communities is a systematically driven phenomenon. Institutional patterns of discrimination by banks and insurance companies can eventually propel neighborhoods characterized by poor and "minority" populations, and deteriorating housing quality, to the brink of collapse.

The financial system of housing appears to both encourage and benefit from racial and economic segregation. Racial segregation in Philadelphia's neighborhoods is quite obvious to any casual observer, and perhaps the most painful manifestations of that segregation, is the concentration of blacks in the frequently decaying and poorly maintained public housing of the city of Philadelphia. In 1987, there were 19,314 occupied public housing units in Philadelphia, and another 3,813 vacant units, accompanied by a waiting list of 10,000 households (Dolbeare, 1988). Public housing accounts for two-thirds of Philadelphia's subsidized housing, and is the oldest, most important housing subsidy from the Federal government to city residents.

Philadelphia's public housing is quickly aging, with 10% predating WWII, another 25% built in the 1950's, and one-third built in the 1960's. About two-thirds of the city's public housing units (15,301) are in conventional public housing, with the remaining third (7,826) in scattered site units. Dolbeare (1988) reports that most of the vacant

housing, which accounts for 17% of the total stock, is in need of substantial renovation and rehabilitation. Regarding the use of public housing for enforcing patterns of racial segregation, Dolbeare states:

The overwhelming majority of households in public housing are black, 86.1% as of December 1987. An additional 4.7% are Hispanic. Only 4.5% of the residents are white, and there are white households in only 20 of the city's 42 projects. Indeed, thirty-six of Philadelphia's 42 projects are 97% or more minority-occupied. Four projects (Hill Creek, Holmecrest, Liddonfield, and Oxford Village -- all in the Northeast) are two-thirds or more white-occupied and these four projects house 86% of all white tenant households (Dolbeare, 1988; p. 55)

Dolbeare also comments that high-rise public housing for families in Philadelphia was built out of necessity, because of cost and siting problems, and that eight of the projects have only high-rise buildings. Federal law did not prohibit high-rise family public housing until 1968. The median household income of residents in public housing is about \$5,500. Almost half of the 57,469 occupants of public housing are minors. Public housing tenants, due to the concentration of poverty in their areas, and the high proportions of young adults and blacks, represent the population with the single greatest concentration of people at-risk for homelessness.

Having considered some of the major manifestations of the housing crisis and its effects on the quality of black and poverty communities, and the cost of housing for those communities, this section on housing will conclude with a discussion of two sets of issues that underlie the current housing crisis, and whose relevance has been suggested by this review. First, since housing is entirely dependent on the system of capital, so too is its overall status dependent on the determining factors of the capital economy - interest rates, inflation and levels of debt, for example. Moreover, as a significant part of the overall economy, problems in housing have subsequent effects on the system of capital,

for example, by contributing to consumer debt in the system. A second requirement for understanding the development of the housing crisis in the United States, and consequently homelessness, is that housing in our country is a commodity, existing not for the primary purpose of serving the needs of the population for decent and humanizing forms of shelter, but for the primary purpose of serving the interests of profit. In this way, housing and housing finance have been placed squarely in the center of capital markets. Government's role has been to enable, protect and subsidize the private market's interest in housing, or to plug leaks in the system that inspire political discontent (Achtenberg & Marcuse, 1987).

The housing crisis and housing finance. As a commodity, housing finance in the United States has always been dominated by private financial institutions providing mortgages, using debt through delayed payment, as the primary means of housing investment. But because debt-financing requires large deposits and the continued ability of people to pay up, the mortgage system has been dependent on continuous economic growth and prosperity, a condition that has not always been met (Stone, 1986). With the economic collapse of 1929, for example, the mortgage system fell apart with the overall economy, as mortgage debt in the 1920's had grown four times faster than the overall economy. The result was the virtual halt in housing development. But with the collapse of the Depression, the federal government came to the aid of the mortgage-lending system, by establishing the system of central banking, by insuring depositors and by insuring mortgages. All of these mechanisms were designed to protect the private institutional lending system. Moreover, instead of the short-term mortgages with large initial deposits characteristic of the days before the Depression, long-term mortgages with smaller downpayments and smaller monthly installments were introduced that "promoted the illusion of ownership through the reality of debt" (Stone, 1986; p. 50). It was this system along with VA and FHA housing programs after the war that made the

suburban boom possible.

Beginning in the 1960's, however, Stone claims that this system and its faulty design began to show cracks. The major weaknesses in the system have been described by Stone, and are summarized here below:

1. As mortgage lending has contributed to economic expansion, it has also grown faster than the overall economy, hence faster than the ability to pay the ensuing debt, "...so that once again (as in the 1920's) the debt that was essential to prosperity was placing an increasingly heavy burden on the future" (p. 52). One-third of all private debt in the United States in 1980 was in residential mortgages, as residential mortgage debt as a percentage of disposable personal income grew from 17.8% in 1946 to 59.6% in 1980.
2. Increasing dependence on credit, while contributing to the expansion in housing production, made the production of new housing and the cost of buying both new and used housing increasingly sensitive to the supply and cost of mortgage money. This dependence has been responsible for the violent swings in housing production for the last two decades, as housing production has had to overreact to the business cycles so as to cover for limitations on buyers' abilities to obtain mortgage money, a prospect that could leave developers with houses they can't sell, and banks with construction loans that won't be paid.
3. The financial vulnerability of the thrift institutions - savings and loans associations and mutual savings banks - has been based on the ability of thrifts to offer interest rates on savings accounts that are competitive with other investments offered by the major financial institutions, namely commercial banks and insurance companies, and the ability to use existing savings deposits to finance home loans in the form of long-term, low-interest rate mortgages. Until the late 1960's, given the competitiveness of

thrifts and their interest rates, the imbalance of "borrowing short and lending long" was not yet a problem. However, increasing deregulation over banking accompanied by high interest rate investments offered through deposit certificates and other capital markets, would soon put thrifts at a comparative disadvantage, and throw the thrift mechanism for mortgage lending seriously out of kilter.

4. The fourth difficulty of the mortgage system described by Stone, is the political implications of a housing system that can no longer produce what has been promised: "The overwhelming majority of Americans have of course aspired to be homeowners, and for many years the new mortgage system made the dream available to most (though not most with low incomes or dark complexions) who pursued it...Having created the expectation, fostered the hope, promoted the dream, what would be the consequences if the system could no longer deliver the goods?" (Stone, 1986; p. 53).

Without going into the detail provided by Stone's critical analysis, a few things could be said to summarize the financing problems of the last two decades in housing, and the effects it has had on local housing conditions in cities like Philadelphia. Stone describes a wide, macroeconomic picture, framed by international competition from Europe and Japan, that has affected American corporate profits, and which has led to the acceleration of the nation's indebtedness as corporations have borrowed money to finance moveouts and mergers from which they have hoped to rescue profits. Government borrowing, too, under internal domestic pressures for defense and social programs, while restricting tax increases, has led to a growing federal deficit, also financed by borrowing. According to Stone, these new demands for credit, along with continuing financing needs in housing and other industries, has exposed the basic contradiction of debt-financing, as the Federal Reserve has had to intervene either by controlling inflation through restrictions on the money supply, hence driving up interest rates and leaving many borrowers short of the capital that is often needed to pay old debts, or by

allowing the money supply to increase to meet the needs of borrowers, which consequently drives up prices, which eventually leads to more borrowing in anticipation of additional price increases and higher interest rates. The risk of financial disaster, for which there are growing signs of concern, is that when the Federal Reserve limits the money supply, many debtors are squeezed out, and their cash shortage can initiate a chain of defaults that have dire consequences: "Without continued access to credit to pay their bills, they may go bankrupt. Since the banks and other creditors have also borrowed heavily to expand their lending and stimulate the economy, a chain of defaults can ensue when they do not get paid. Thus a credit squeeze can bring the financial system to the brink of collapse" (Stone, 1986; p. 54).

Since the late 1960's, several periods of tight money supply have forced interest rates higher and higher, leaving the supply of capital for housing credit drastically curtailed and sending housing production to record-breaking low levels, at least four times since the late 1960's. Moreover, as a result of rising interest rates, thrifts have lost their competitive edge to other capital markets and certificates, as people have withdrawn their savings for investment in more profitable instruments, thus further undermining the stability of home loan financing. As a result, housing production has swung violently back and forth ever since the 1960's, in sharp contrast to the stability of home financing in the two decades after WWII, swaying to the rapid fluctuations in interest rates.

Not only has production of housing been affected, but prices for housing have risen as well. Described by Stone as a "piggyback" effect, rising interest rates on top of rising housing prices have led to housing costs that have taken up ever-increasing proportions of household income, as in the case of the rising rent-income ratio documented in Philadelphia, and this has consequently led to fewer and fewer first homebuyers:

Thus between 1970 and 1976, while median family income was rising 47 percent

and the overall Consumer Price Index went up 46 percent, median sales prices for new houses rose 90 percent; and the monthly ownership cost for a median-priced new house rose 100 percent, while the monthly ownership cost for a median-priced existing house rose 65 percent. Between the end of 1976 and the end of 1981, the median price of a new house rose another 50 percent, while prices of existing houses rose by over 70 percent, and mortgage interest rates increased from about 9 percent at the earlier point to about 16 percent at the end of 1981; so buyers entering the market had to pay over 200 percent more for their mortgage payments than did the typical new buyer just five years before. To be sure, first-time homebuyers, who represented 36 percent of all buyers in 1977, had decreased to under 14 percent of all buyers in 1981 (Stone, 1986; p. 56).

As fewer people become homeowners, they increase the overall number of renters. Of course, additional would-be homeowners in the rental market puts a squeeze on the rental supply, and drives up prices there as well.

The increase in residential mortgage debt that has resulted from these shifts - increasing 84% from 1975 to 1980 - reveals that housing is deeply connected to the overall problem of America's "debt balloon." And as people are required to spend increasing proportions of their disposable income on housing, the likelihood of default, and the dangerous consequences of foreclosures and defaults set in. In 1982, the Mortgage Bankers Association reported that foreclosures were at their highest level since records on foreclosures had been collected in the 30 years before, and that the number of foreclosures were 66 percent higher than just the year before (*Boston Globe*, 1982). Combined with a "tenantization" process of homeowners described by Stone, where the benefits of homeownership are increasingly absent through life "tenancy" to the bank, especially among the working class, there is a grave crisis that is

pulling at the solvency of the American financing system, and the housing security of most Americans.

All of this pressure in the housing market ultimately affects the quality of housing in cities like Philadelphia. Rental housing, like owner-occupied housing, also suffers the piggybacking effect of rising interest rates and housing prices, leaving tenants to pay higher rents after the financing and re-financing of rental properties. Population changes and renovations in neighborhoods that bring increasing property values, a process known as "gentrification," likewise increases the pressures for displacement and rising rents in some areas. Limitations on the credit supply and declining property values can restrict the options of owners in other areas, particularly small investors, for funds for maintenance and improvements. Credit limitations in housing finance also lead to increasing discrimination on the part of lenders as to what neighborhoods will be eligible for credit. Such "red-lining" practices by banks reinforce and perpetuate the undermining of the value of property in certain urban sections, thus providing an incentive for abandonment by owners, or the temptations of arson to recoup insurance benefits. In essence, the problems of housing finance, and the debt balloon in general, are mediated in the housing experience of people throughout the country, including the people who because of their limited incomes have the fewest residential choices. The resulting deficits in the quality of housing and the rising housing costs and cost-income ratios documented earlier in the case of Philadelphia, cannot be communicated in abstract formulations about the American system of finance. But the relationship between the credit crisis and the housing crisis is clear, and this section was intended to outline the dynamics of the housing problem, and the depth of its reach on increasing mortgage payments and rents, and decreasing credit opportunities for poverty communities and their housing needs.⁵

Housing as a commodity. This current crisis in housing is only possible because

housing finance in the United States is strategically placed in the center of other capital markets, as it is treated like any other commodity that one might purchase. The fact that housing is a commodity in our social system, has obvious and important implications in how households are structured, or how the domestic environment is implicitly designed in order to meet the needs of the social system generally, and the system of capital in particular. Most importantly, the role of housing as a commodity means that housing is essentially produced for profit, and that "secondary" effects of its production, such as providing people with shelter or domestic security, are either put to use in order to generate profit, or incidental to the system of housing. As a profit-making enterprise centered in the private marketplace, housing is also used as means of structuring the population within a given hierarchy of housing quality, affordability, and supply. This structuring of the population through housing provides a basis for competition in the housing market, as well as means of segregating the population along with community institutions, such as schools and industry. Enhanced profits result from the privileging of certain neighborhoods, and "types" of people against others. Likewise, other dynamics of the market economy provide a basis for profiteering in housing, for example, by exploiting changes in population, migration, industry, government subsidy programs, or housing supply.

As a market commodity, those with the greatest resources and power typically come to occupy the best housing, just as they come to occupy the best jobs, or the most influential community positions. Similarly, the discriminatory dynamics that underlie our social and economic organization, get played out through formal and informal dynamics in the housing market that restrict or privilege certain persons, relations, choices and attributes over others. Hence, those persons who least fit within the productive apparatus of capital, particularly elders, persons with disabilities, the

unemployed, and solo parents providing care for their children- most of whom are women - are consequently the least valued in the housing market, as they are the least within the reward structure of the productive economy of capital. Suburbanization, as one example, had as its primary market the homogeneous, white, two-parent, heterosexual union of a male wage earner and female "homemaker."

Alternatively, though well within the productive apparatus of capitalism, other groups, such as people with darker complexions, are discriminated against in housing, which also functions to maintain a sufficient, segregated supply of low-waged workers who are available for employment in certain geographic locations, and whose economic and racial segregation is used as a basis for structuring the profits of the labor and housing industries. In this case, the devaluation of the housing of such persons merely reflects the required devaluation in wages that provides a substantial profit-base for industry, and the use of class and racial segregation by the housing industry to structure residential choices or "markets." Moreover, the commodified design of housing structures the dependence of workers on the wages offered by area industry, as workers must accept the wage levels available in order to maintain their housing, or be forced to go elsewhere. If one refuses the going wage or dismisses the structure of one's occupational choices, one is very likely to be, or most certainly become unemployed, and unless one submits to the requirements of the local economy, homelessness or other domestic difficulties are likely to result. In this way, housing disciplines the workforce, their expectations, their choices and their conformity to local market conditions, at least when it "works."

Having examined in detail the dynamic processes and structural components of the current housing crisis in the United States, and in cities like Philadelphia, the income problems facing those groups most represented among the homeless can now be better understood for their very sensitive relationship to housing conditions. For as has been

shown earlier in the indices of housing "affordability," problems with the cost of housing and housing finance only have meaning in relation to peoples' incomes.

The Income Crisis

What makes the problem of rising housing costs so devastating for city residents, is that it has not only *not* been accompanied by a proportionate rise in income levels, but that it has been accompanied by a *decline* in income, compounding further the effects of the housing affordability problem. In Philadelphia, along with declines in the city's share of population in the PMSA, has been a further decline in jobs, and an even further decline in income. Hence, lower per capita income, higher unemployment, and higher poverty rates in the city have resulted. What specific patterns can account for this decline in income? And how have those patterns disproportionately affected those prominent groups among Philadelphia's homeless? This section will explore the growing service economy in Philadelphia, and the racial, gender and wage structure of the growing service industries. Secondly, rising levels of unemployment, particularly among black youth, and declining levels of labor force participation will be documented. Thirdly, the availability of job training programs for the neediest persons will be discussed, particularly looking at the federally-funded job training program, the Job Training Partnership Act (JTPA). Finally, the restriction of government benefits for low-income persons, particularly as a result of the so-called Pennsylvania "Thornfare" welfare reforms, and the declining dollar value of government benefits against inflation, will be assessed for their relationship to groups represented among the homeless.

The labor market, the service economy and low-waged work. As has already been noted, one of the primary reasons for declining income in the city of Philadelphia has been the loss of manufacturing industries, and the growing dominance of the low-waged service economy, as well as the development of industries outside of the city, that employ to the primary benefit of suburban residents. Overall, the massive growth in

jobs in the region has led some to be overly optimistic in their reading of the local labor market. These trends are widely recognized in the local press of Philadelphia, as headlines repeatedly occur about a "labor shortage," record-low unemployment levels, and jobs that go "begging" in the suburbs, or even in the city (for example, see *Philadelphia Inquirer*, July 24, 1987, and June 26, 1988). Much as this study has thus far suggested, there is a surplus of low-waged service work, particularly in the suburbs that - and Philadelphia's Private Industry Council concurs - frequently pay too little, and can't compensate for transportation time and costs, or child care costs for city workers (see Cassel, 1987). Nearer to the city, and in the city, many of the better paying jobs go begging because of a lack of skilled city workers, or go to suburban residents who have better education and training.

When doing research for this project, the Philadelphia Private Industry Council, the regional organization responsible for distributing federal and state job-training funds, provided information on this "training gap," and provided news articles to verify their position on the continued need for training funds. One of the articles mentioned the predicament of Penn Ship, a navy contractor that had recently received a large contract from the Department of Defense to build four naval vessels. Jim Nealis, human resources chief at Penn Ship, declared in the *Philadelphia Inquirer* that "We probably have milked the Delaware Valley dry (Cassell, 1987; p.16A)" of workers, and reported that the company was recruiting welders and skilled crafts workers all the way from New Orleans to Seattle. A news article that was later provided by the local Union of the Homeless (Fine, 1987), described how unemployed city residents and community leaders converged on Penn Ship to demand those jobs and training for those jobs. Nealis of Penn Ship responded to the protesters by having them complete applications, but suggested that prospects were not good because most local applicants didn't have the

desired level of skills. Responding to questions about providing job training, he answered that "as of June 30, all of our state and federal dollars for job training are gone."

As that example illustrates, Philadelphia's labor market, despite its appearance in official reports as "strong," is unevenly experienced by the region's residents. Undertraining and a small, fractured, disorganized job training system, reduces many of the options of city residents for the better-paying jobs in the city, particularly those residents most in need of job training. Transportation and child care costs limit the options of city workers for pursuing suburban employment. Jobs that unskilled workers in the city can fill are predominantly in the service sector, where poor wages and low benefits are the norm, and where there is very limited opportunities for career advancement or for acquiring "marketable" job skills. The legacy of deindustrialization in the region has had its most profound effects for city residents in undermining the wage base and in the growing dominance of services. Of course, the fact that minimum wage was not raised from 1981 to 1989, declining 31% in dollar value against inflation, is a critical source of depressed wages in the region.

Examining more closely the make-up of the occupational distribution and the new "service economy," the uneven manifestations of the growth industries in Philadelphia and their relationship to groups among the homeless can be better understood. Based on data provided by the Department of Labor and Industry in Pennsylvania, in 1986, about 100,000 people in Philadelphia were employed in manufacturing, while 220,000 were employed in what the Department calls "service" industries. However, if one were to include among services "retail trade" and the FIRE industries (finance, insurance and real estate), occupations that are within the common image of "services" such as fast-food work and insurance sales, then the number of workers providing services would climb to nearly 400,000 out of a total labor force of 671,000. However, these so-

called "service" jobs are not at all uniform in either the people who perform the work, or in the money they receive for their labor.

The following income figures for the varying occupational groupings are based on published estimates for Philadelphia County (Office of Employment Security, 1988). As a group, the FIRE services are the highest paid, with an average annual wage of \$27,537 in 1986, and the retail trade jobs are the lowest paid with an average annual wage of \$12,093. As is plainly observable, people selling stocks and securities make much more than people selling burgers and blue jeans. Moreover, not only are there sizable disparities in income distribution between industries, but *within* them as well. So, for example, people working in eating and drinking places make only \$8,618 annually, while other retail trade workers in automotive sales and service make \$19,655 on average annually. Similarly, within the FIRE industries, the range goes from \$9,514 annual income for people in small, storefront-type, combined insurance and real estate firms, all the way to \$52,940 annually for commodities brokers and securities dealers. Within the category more strictly defined as "services," the range goes from \$7,175 for those serving private households, all the way to \$30,462 for those providing legal services. Of course, across industries, the lowest paid professions are those which provide cleaning services in hospitals, hotels and restaurants, and especially those people who provide services to private households, i.e. housekeepers, child care providers, cooks, servants, etc., who make the lowest average annual income of any occupation group at \$7,175. It is quite apparent, then, that there is a distinct and highly disparate hierarchy of wages in the "service" economy, with the lowest wages concentrated in the retail trade sector, and other service occupations such as hotel workers, personal services, social services, private household services, and health care workers at hospitals and nursing homes.

Who has what jobs? Well, as one might expect, there is a significant degree of

occupational segregation going on within this hierarchy of wages, both by race and by gender. Remembering that Philadelphia is 38% black and 59% white, one can get a rough indicator of occupational distributions by race, by looking at those industries that have racial representation lower or higher than the city's population. Looking at Table 3A in Pennsylvania's Department of Labor and Industry publication (1987) "Labor Market Information for Affirmative Action Programs," selecting those jobs by racial under- and over-representation is simply done by comparing rates to population representation. The first noticeable disparity is that whites are over-represented in simply having employment, by about 5 percentage points, and blacks are underrepresented by the same amount. The occupation in which blacks are *most* over-represented is "private household occupations," such as maid, housekeeper, child care provider, cook, servant, etc., where blacks account for 82% of this occupational grouping, which is the lowest paid occupation in the city of Philadelphia. The next highest concentrations of black employment are in "health services" (63%), "cleaning services" (61%), and "other services" (51%) . Not surprisingly, these are also among the lowest paying occupational groupings, most of which have average annual incomes below \$12,000, but with health services having a higher average level income due to its inclusion of other relatively higher paying health jobs. Blacks are also over-represented, though not as extremely, among "handlers, equipment cleaners, helpers and laborers" (44%), "machine operators" (43%), and "medical and health technicians" (44%).

White people, besides having higher overall levels of employment, are most over-represented among "post-secondary teachers" (87%), "engineers" (82%), "executives, administrators, and managers" (77%), "medical professionals" (76%), "sales" (75%), "machinists" (74%), "construction trades" (70%), and "mechanics and

repairers" (72%). All of these occupations paid *at least* an average annual income of over \$21,000.00 in 1986, in some cases much more. But all of these jobs paid nearly *twice* as much as those occupations in which blacks find themselves over-represented.

Based on these trends, one might expect that the further one goes in the occupation and income hierarchy, the more and more white it becomes.

Examining concentrations of employment by gender, women are also found over-represented in the lower-paying occupations, and men in the higher paying jobs. By far the highest occupational concentration of women is in "secretaries, stenographers and typists" (98%), followed by "private household occupations" (95%), "health services" (83%), "teachers" (70%), and "medical and health workers" (67%). Men, on the other hand, have virtual job monopolies in the "precision production, craft and repair" (95%), which includes machinists and the building trades, "engineers" (95%), "protective services" (91%), and "transportation and material handling" (98%).

Considering the specific case of black women, they account for 78% of private household occupations - the lowest paying occupational sector - and a very high concentration in "health services" (54%).

As the city of Philadelphia and the PMSA have deindustrialized, young workers have been forced to accept a new occupational scene, one dominated by "services" and the lower wages that often accompany those services. But the transformation of the city's economy to its service orientation, has not been equally experienced by everyone. In particular, the city of Philadelphia's service economy can be characterized as both a professional, legal, managerial and technical center, that pays relatively high wages to predominantly white workers on the one hand, and a retail, health, and hotel center, that pays relatively low wages to predominantly black workers on the other. Women of both races are segregated in the health services, clerical services, and education and social services, and consequently live closer to poverty, in general, than do men workers.

Hence, the decline in manufacturing and the growth of the service economy has had very different implications for different segments of the population, especially when considering the case of blacks and women.

Interestingly, the low wage base of the Philadelphia region that was left behind after deindustrialization has also resulted in the growth of several small manufacturing shops that are taking advantage of local labor conditions. For example, a study by the Government Accounting Office (GAO) reports that into this low-waged environment of center cities like Philadelphia, many small "sweatshops" (businesses that "regularly violate both wage or child labor and safety or health laws") have popped up that have been found to pay wages below the minimum, and to have dangerously poor working conditions (Noble, 1988). The GAO study reports that in New York City, Philadelphia, Chicago, Baltimore, El Paso, Portland, Or., and "virtually every section of the country," thousands of new shops and factories, in apparel, meat-packing and food services, that employ workers "at low wages for long hours under poor conditions" have been spreading. The sweatshops are presumed to be taking advantage of the low-wage base left by deindustrialized urban centers, the influx of undocumented workers, and the less intensive regulatory atmosphere resulting from the federal budget-cuts of the 1980's in OSHA (the Occupational Safety and Health Administration) and other labor enforcement departments. The GAO reports that industry contracting systems, as in the apparel industry, have led to the parcelling out of jobs such as garment-production to small, highly competitive contractors and subcontractors, acting as the primary stimulus for the squeeze on wages. The study estimates that Hispanics and Asians are the primary "sweatshop" employees nationwide. A staff member of the Philadelphia Industrial Development Corporation who was interviewed during data collection for this project, and who wished to remain anonymous, said that many small subcontracting shops have

been developing in Philadelphia in the 1980's because "depressed wages and a surplus of unskilled workers make it the South Korea of southeastern Pennsylvania."

Young adults in the city and their prospects for employment and job training. An increasingly well-known development, either resulting from or concurrent with deindustrialization and the growing low-waged service economy, has been the rising levels of unemployment and declining labor force participation among young, black adults. In Philadelphia, black men over the age of 20 had a labor force participation rate of 78.4% in 1973, higher than the same rate for either white men (76.8%), white women (38.1%) or black women (48.0%). In contrast, by 1987, the labor force participation rate for black men fell to 63.7%, while it rose for both groups of women - white women, 53.9%, and black women, 51.7%, and fell slightly for white men to 75.6%. Strictly by race, while black men and women were once in the labor force to a higher degree than whites, that all changed by 1987, with white men and women gaining over both black men and women. Considering gender, all women, but especially white women whose participation rose 15 percentage points, increased their participation in the labor force from 1973 to 1987, with black women showing a modest increase of 3%. But the most significant *decline* in participation in the Philadelphia labor force during the fifteen years between 1973 and 1987, was the black male, whose labor force participation dropped 15 percentage points, or at a rate of 19%.

Insert Table 9 about here

Labor force participation, or the degree to which a proportion of the population is working or actively looking for work, is obviously going to be influenced by the success that employment-seekers achieve in finding employment, and the kind of employment that they are likely to find. Looking at unemployment rates by race for the United States

(see Table 9), one can see that blacks have had about twice the unemployment rate of whites since the 1950's, reaching nearly 2.5 times as much in the 1980's. Thus, in recent history, blacks have been at least twice as unable to find work when actively seeking it as whites. But it has been since the early 1970's and through to the 1980's that blacks have sustained double-digit unemployment rates, an experience virtually unknown to the white population since the 1930's. Unemployment rates among black youth have hit even higher levels than among blacks generally. The unemployment rate for black youth has gone from 14.4% in 1954 to 41.0% in 1985, while for white youth the unemployment rate has gone from 13.4% in 1954 to 16.5% in 1985 (Hirschman, 1988). As can be seen in Table 10, a potential effect of sustained increases in unemployment among blacks has been a decline in labor force participation, particularly among black youth, who are fast becoming a new class of discouraged workers. A similar change among white youth, who have not suffered the extraordinary increases in unemployment as have black youth, is not notable.

Insert Table 10 about here

In way of interpreting these dramatically different shifts in unemployment and labor force participation rates by race, Wilson (1987) concludes that the transformation of the central city economies, much of which has been considered here in the case of Philadelphia, has disproportionately affected the job prospects of black youth:

Urban minorities have been particularly vulnerable to structural economic changes, such as the shift from goods-producing industries to service-producing industries, the increasing polarization of the labor market into low-wage and high-wage sectors, technological innovations, and the relocation of manufacturing industries out of central cities (Wilson, 1987; p. 39).

Concurring with that interpretation, a study by McGahey and Jeffries (1983) shows how recent shifts in the employment base have more drastically affected young blacks than whites, who were more dependent on the declining manufacturing industries of the city than the new expanding information intensive or high tech industries. McGahey and Jeffries (1983) conclude that a combination of factors, including a loss of traditional employment bases and the geographic re-distribution of employment, has contributed to the rising unemployment of blacks, particularly black youth, and to the declining levels of labor force participation. The previously discussed movement of jobs and people in the Philadelphia metropolitan area would seem to give support to the idea that locational factors are important in determining minority job opportunities. Hirschman (1988) makes the same conclusion from his study of the effects of economic change on levels of employment and labor force participation by race.

Though only speculation, perhaps an additional influence on the declining labor force participation of urban blacks is the failure of the new jobs in the service sector to offer the high wages of manufacturing, transferable job skills, opportunities for advancement, social benefits, or worker esteem. Moreover, alternate economies in the city, both the traditional "underground" economy of repairs and services which evades regulation and taxation, and the violent drug economy, may be providing more satisfying levels of income to many urban youth than what the new "economy" of low-waged, segregated labor has to offer.

The problem of growing unemployment among black youth is particularly distressing and raises other very serious questions considering that there has been a significant narrowing of the "education gap" between white and black youth. Hirschman (1988) details how in 1959 the education gap between black and white workers was more than 3 years, whereas the gap by 1984 had shrunk to .4 years. "In other words, as the

employment situation has worsened between white and minority men, there has been a convergence in educational qualifications" (p. 73). The same is true for black college graduates, who have unemployment rates twice that for white college graduates. This convergence of educational qualifications over the last twenty years, accompanied by persistent disparities in unemployment, affirms the potential importance of the geographic distribution of employment opportunities. But the claims of labor market observers in Philadelphia and other areas of a "skilled labor shortage," suggest the role of additional influences beyond the geographic distribution of employment opportunities and the low quality of job opportunities. It is possible that disparities in the quality of education which people receive may be introducing further disparities in qualifications and employability. Moreover, barriers in access to adequate job training and post-secondary education may introduce other differences.

As an example, it is helpful to examine the disparities in public spending on education in the Philadelphia metropolitan region as an indicator of how the residents of the city and suburbs have very different access to educational resources, and consequently, employment opportunities. Luce and Summers (1987) conclude in their study of the region that:

Spending on...schools is roughly equal in the portions of the region in New Jersey and suburban Pennsylvania. Philadelphia, however, spends significantly less on schools than do most other communities. Intergovernmental aid plays a much more important role in supporting local schools in the New Jersey portion of the region. In Pennsylvania, school districts are more dependent on local resources....Philadelphia... has nonschool expenses much greater than average, and school expenditures significantly lower than average, suggesting that the special burdens the city faces in nonschool services have reduced its commitment to its school system (p. 118).

Per capita expenditures in 1985 for education in the region vary from a low in Philadelphia of \$450.74, to a high of \$631.05 in Camden. All of the New Jersey counties pay more than \$615.00 per capita for schools, while in Pennsylvania, Bucks County spends the most at \$587.82 per capita, Chester County pays \$541.61, and Montgomery pays \$527.83. The fact that the other counties have substantially fewer public service obligations as a result of lower poverty and lower population density, is reflected in the percentages of local revenues that go to education. Philadelphia is only able to spend 32% of its revenue on schools, whereas Bucks can afford 59% of its revenue for schools, Chester 58%, Delaware 50%, and Montgomery 48%. All of the New Jersey counties can afford 50% of their revenues for schooling. Students in Philadelphia, simply on the basis of these expenditures, obviously do not have the same life chances as do students in the suburbs, potentially perpetuating for another generation the patterns of privilege and poverty in the region. The increased levels of unemployment, underemployment and lack of necessary job skills among city residents, can be partly attributed to this discriminatory pattern of educational funding.

Recognizing that such patterns of discrimination through secondary education exist, however, are not to mention that post-secondary educational opportunities, like college and graduate programs, are even less equalized and consequently more *unequalizing* because they are not a public entitlement, and therefore are even more out of reach for the impoverished population of the city. On the other hand, post-secondary education can provide the path to personal prosperity for the college-bound youth from the wealthier families of the suburbs. Evidently, the stratification process that has been observed in housing and income also works at the very beginnings of one's entrance into the American "opportunity" structure of education. It should also be noted that the quality of the schools in an area has a potentially reinforcing effect on migration patterns, as families are more likely to settle in places where there is a good school system and sufficient

amounts of money spent on education. Philadelphia may lose more population and potential population as a result of its deteriorating educational system, and may consequently lose more of its tax base, sending it further into a loop of fiscal disorder.

Another integral education component for understanding the apparent "labor shortage" of our cities, like that described in Philadelphia, and the underemployment and unemployment problems of minority young adults, is the availability of job-training programs that have coherence with the development direction of the metropolitan area, and that satisfy peoples' desires for meaningful and well-paying work. Philadelphia currently has an array of job training programs, some of which are conducted by private non-profits, others by "technical" colleges and schools. Most of the training programs responsible for helping poor and "disadvantaged" youth, however, are funded and monitored through the Philadelphia Private Industrial Council (PIC), which in fiscal year 1987, had 88 agencies that provided training to unemployed and undertrained workers, had 37 referral centers, and many more placement businesses. The primary funding source for PIC has always been the federal and state governments, particularly through the Job Training Partnership Act (JTPA), which mandates regional headquarters such as PIC to link private businesses with the job training initiatives of the community, so as to produce "unsubsidized" employment. While no specific evaluation of PIC in Philadelphia is available, there have been some national studies that have attempted to determine the success of JTPA; most of which have been highly critical, with one important evaluation done by the US Department of Labor. But before reviewing the Labor Department audit, consider that in fiscal year 1987, PIC in Philadelphia spent \$26 million to place successfully (for more than 90 days) 4,500 people. That's roughly \$5,800 dollars per person, for one year, to train and place people in employment for at least 90 days that had an average annual income of \$10,500

a year (before taxes), or at an average hourly wage of \$5.05 an hour (Cassel, 1987).

JTPA received a lot of attention in the 1988 presidential election as an example of the kind of new leadership that then-Senator Quayle would provide, as the original co-sponsor of the enabling legislation, along with Senator Ted Kennedy. But the program came under increasing scrutiny as the primary job training initiative of the federal government, and it was unable to find much support as a "success." Sar Levitan of George Washington University who has studied the program told the *Boston Globe* that some corporations are feeding off "government largesse" to pay the wages of people "that they would hire anyway" (Kranish, 1988; p. 12). In an audit of the program, the US Department of Labor has found that 47.5% of the people who graduate end up unemployed four months after their training because people are placed in jobs that pay little more than candidates would get without the "training."

JTPA funds private industrial councils to get "disadvantaged" workers into employment, and in turn promises to fund the wages of the new workers during their "training" period, or the classroom sessions and following job placements that are required. The program is intended as an investment in "human capital" where the most hard-core disadvantaged would be helped into "self-sufficiency." However, the Labor Department audit, which sampled 3,200 trainees from sites across the country, found that the enrollees were not the most disadvantaged. Sixty percent had high school educations or better, and the majority were neither receiving public assistance nor unemployment compensation. The Labor Department concludes that "less disadvantaged" candidates are selected for the program in order to meet mandated performance standards, which require meeting success in 60% of the cases in order not to lose continued funding. As a result, 70% enter unsubsidized employment, but only half (58%) of those retain their first job.

Perhaps the worst indictment against the program, which is supposed to improve

disadvantaged job-seekers' chances of gaining employment that they *wouldn't* have gotten *without* training, is that average hourly wages for trainees compared to the wages they received prior to training increased only \$.40 for youth, and \$.83 for adults 22 to 34 years old, while average hourly wages for adults age 35-44 *decreased* by \$.36 an hour after "*training*," and wages declined \$1.35 *an hour* for adults over 45. In terms of reducing welfare "dependency," JTPA leads to a reduction of only 5% for adults and 0% for youth. Over 60% of the employees who receive subsidies from JTPA say that they would have had to hire and train people for the jobs even without the subsidy. In other words, the training subsidy is unnecessary in most cases.

The Labor Department audit (1988) sharply criticizes implementation of JTPA because it has been driven by performance standards in "unsubsidized employment" and not on training the most needy people for better or desirable forms of employment. Moreover, because of performance standards, JTPA programs spend nearly as much money on placement as they do on training. The audit concludes:

ETA (Employment Training Administration) has not yet fully implemented the law and has, consequently, missed a significant opportunity to influence JTPA priorities in such a way as to maximize the return on investment (US Department of Labor, 1988; p.9).

The JTPA programs have also been the target of accusations of misuse of funds. Federal officials are investigating whether contracts went to political campaign contributors in Ohio; California officials have suspended some programs due to fraud (Kranish, 1988). In Quayle's own state of Indiana, the program funded Japanese companies to pay for employees that the company was going to have to hire and train anyway. The use of private industry councils such as Philadelphia's PIC has been further criticized as a way of allowing private industry a way to have government

funding work to serve industry's own ends, and not necessarily the training needs of disadvantaged workers. In an example of training paid by the government that would have been paid by industry anyway, JTPA paid fast-food restaurants for 203 hours of training for each participant who got a job at a fast-food restaurant (Kranish, 1988).

In concluding this section, it is apparent that the restructuring of the urban labor market over the last twenty years has disproportionately affected the job prospects of blacks, particularly black youth, and that increasing levels of labor force nonparticipation and unemployment have seriously affected the ability of black young adults to earn a livelihood, and to establish independent income security. Accompanying the geographic decentralization of economic opportunity and its effect on young black adults, however, has been a convergence in educational qualifications among blacks and whites. But disparities in public spending on education in the Philadelphia region suggest that there are significant differences in the quality of education between the suburbs and the city. Furthermore, job training programs designed to help the most unskilled have not shown to improve peoples' earnings in the labor market, and, according to government audits, have failed in their mission to improve the employment prospects of disadvantaged workers.

The restriction and decline of government benefits. The final income factor considered here is the level and availability of public assistance to Philadelphia residents. Especially when one considers the needs of households with incomes below the poverty level, public assistance is very often the crucial component for providing individuals and families with residential and social security. However, with the deterioration of benefits against inflation and with the restriction of eligibility resulting from "Thornfare" (Act 75 of the Thornburgh administration) welfare reforms, the ability of public assistance to buffer poor households from the instabilities of poverty has been drastically undermined, and, one could add, weakened to the point of total

ineffectiveness.

Insert Figure 6 about here

Between 1975 and 1988, public assistance allowances fell in dollar value by 49.3% for 3-person households, and 47.6% for 4-person households. In other words, while a family of three on public assistance in 1970 would have received the equivalent of \$750 in 1988 dollars, that same household received only \$380 in 1988. Figure 6 shows how welfare benefits have deteriorated under inflation, because unlike social security benefits, welfare benefits are not annually adjusted for cost-of-living increases. Figure 7 also shows the shrinking value of benefits when considered against the cost of rent. After paying the median rent in Philadelphia, a family on public assistance would have had \$160 left over for other expenses in 1970, while that same family in 1988 had only \$50 remaining after paying for rent. Quite obviously, then, the function of welfare in keeping families in decent living standards has not only been severely limited, but reduced to the point of dangerously low levels of subsistence.

Insert Figure 7 about here

Welfare benefits have not only declined in dollar value, but eligibility for welfare has been restricted, particularly since 1981. The Reagan Omnibus Budget Reconciliation Act of 1982 (OBRA) terminated benefits for hundreds of thousands of working, low-waged parents, benefits that provided child care support and an income supplement to families whose wages were so low as to keep them in poverty. The impact of OBRA on low-income families has been studied by Zinn and Sarri (1984). But

perhaps the most important welfare "reform" measure that has tremendously influenced the growth of homelessness in Philadelphia in the 1980's, particularly among single adults without children, has been the so-called "Thornfare" policy, nicknamed after then-Governor Richard Thornburgh, but formally known as Act 75.

Passed by the Commonwealth of Pennsylvania in 1981, Act 75 required the Pennsylvania Department of Public Welfare to review all applicants for General Assistance, and to determine who were the "transitionally needy" among them. General Assistance (GA) recipients are usually single or married adults, aged 18-45, without children, who are either unemployed, temporarily or permanently disabled, and who do not receive or are ineligible for unemployment compensation, or disability insurance. GA has always been the income of last resort for those people who are otherwise not protected through private or public insurance programs, who don't have dependent children, or whose lack of skills make them unemployable. Act 75 declared that such persons were now considered "transitionally needy," unless unable to work by reason of physical or mental disability, and that they could no longer receive the GA cash assistance of \$172 a month for more than 90 days in a year. Consequently, those adults who cannot find work, despite their efforts, are only allowed cash assistance three months out of the year. The other nine months of the year, such persons are literally "on their own," unless they have family to assist them. Moreover, since many adults who receive GA, use GA to contribute to the household expenses of family members with whom they live, Act 75 would put added pressure on those households, which are usually poor themselves, because there would no longer be any financial contribution from that person in the household. Approximately 68,000 GA recipients were initially affected by the "reforms" of Act 75, though many more have continued to suffer its effects.

Act 75 required that a study be done to assess the impact of the law two years after it

was passed. The study was published in June, 1984, and as a challenge report by the Advocacy Committee for Emergency Services (ACES) (1984) would detail, the study failed to provide an accurate discussion of the data which it had itself reported. For example, the Thornburgh administration study said that "Most transitionally needy exhibited more effort looking for work, and many found jobs" (p. xii), while the data from their study of GA recipients indicates that 81.3% of the sample had no income from employment at the time of the interview. Only 13.1% were successful in obtaining "covered" employment for more than three months. The challenge report by ACES points out that since the economy was undergoing a recovery from the 1982 recession at the time of the Administration study, that even successful efforts at gaining employment could not be attributed to the merits of Act 75. Department of Public Welfare records indicate that the year prior to implementation of Act 75, 7,100 individuals left the GA rolls because they found employment. The year following Act 75, 8,909 people out of the 68,000 "transitionally needy" found employment. Apparently there was little magic to the "reform" on getting people into employment. "This information strongly suggests that while GA was denied to 68,000 people, there was merely an increase of 1,800 new jobs" (ACES, 1984; p.4).

The Administration study furthermore reported that "(Those) who got jobs (were) generally able to offset their reduction in cash benefits" (p. xii). The challenge report by ACES, using the same data, determined that among those who worked, they had less than 1 chance in 10 of working for the full year, and less than a 50% chance of working a full-time job. For those who worked, their average weekly income was \$51.42, only \$8.50 more than General Assistance, and considerably less than minimum wage for a full-time job (\$125 per week).

The employment training and placement programs that were supposed to assist the "transitionally needy," were found by ACES, using Department of Public Welfare data, to

have placed only 11,506 people out of an Administration projection of 75,000. Most of the placements were managed through the Office of Employment Security, where GA recipients must register to meet eligibility criteria anyway, while the newly proposed programs for job training had registered *zero* trainees.

The Administration's study data reveal that the effects of GA restrictions on the victims of Act 75 were devastating. The number of people who experienced losses of their homes, utilities, cars and/or furniture due to the inability to pay bills and debts went from 9,044 prior to Act 75, to 17,612 after implementation of the so-called "reforms." Many mentally disabled persons were cut from benefits, though the "reform" law stipulated that they would be protected. Based on a sample of people cut from benefits, projected for the entire 68,000, 42% of the former recipients, or 28,628 persons, reported having to use emergency shelters, food and clothing programs. Nearly half, 45%, were forced to borrow money. Forty-five percent (45%), or 30,600 persons, were living with relatives or friends and were unable to contribute to household expenses. A disturbing effect, 33.2%, or 22,576 persons, found themselves in "indentured relationships," where they received food and shelter only in exchange for working for the provider of that food and shelter. About 12% moved into a worse housing situation, and fully 25.8% experienced worsened health after the implementation of reforms (ACES, 1984). The relationship between Act 75 and homelessness is much more better understood when considering such facts. The challenge report by ACES found that

Of the 15,000 shelter placements executed by the City of Philadelphia's Division of Adult Services in 1983, 10,500 or 70% were in response to homelessness caused by unemployment and/or benefit cuts experienced by persons who were between the ages of 18 and 45...The total shelter figure for the previous year was 7,000 (ACES, 1984; p. 19).

Those people who do not submit to the requirements of the local wage economy, or who are judged as not competent for employability within that economy, find their extrusion masked by the rhetoric of making GA recipients "transitionally needy," and, perhaps more painfully, by being brutally impoverished, and potentially disciplined with homelessness as a result. Reflecting the unwillingness of the system to accept the contradictions that the labor economy creates through its varying criteria of competence, low wages and structural unemployment, the unemployed and "unemployables," especially those who are without dependent children, are forced to beg for food, shelter and clothing, and to suffer the health effects of the social order's inadequacies. Moreover, in a gesture of support for the local economy's going wages, the government compels its citizens to accept whatever income is being offered by industry, or to accept starvation. The recent survey of Pennsylvania's homeless that was reviewed earlier cites the importance of Act 75 in precipitating homelessness among minority adults between 18 and 45 across the state:

It is impossible to construct any understanding of the high proportion of 18-45 year olds in the homeless population without highlighting the contributing factor of Act 75 (the welfare reform law of 1982). Its withdrawal of welfare eligibility for persons in this age group has caused thousands to fall through familial and charitable safety nets into homelessness. Its flawed assumptions about access to work and about employability to this day continue to lead the state to neglect vulnerable persons. The paradox of the resultant public assistance policy is that it will prevent recovery from homelessness until the ravages of homelessness render people disabled enough to qualify for year-round assistance, SSI, year-round psychiatric treatment, prison or state-subsidized funerals (Ryan, et al., 1989; p.8).