Labor Force Participation in South Bend: Strengths, Challenges, and Opportunities

April 2016
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Executive Summary

Labor force participation is a measure of the total working-age population that is currently employed or actively seeking employment. By itself, the labor force participation rate provides helpful insight into the strength of the labor market in a given area. Improving labor force participation is also one means to achieving a stronger and healthier economy. Further examination of the labor force participation rate highlights its important relationship to the poverty rate. Data indicate that participation falls below average for people in poverty. Thus, improving labor force participation may be a viable way to address high poverty rates, particularly in South Bend. The relationship between the participation rate and the poverty rate can also provide a clearer picture of economic health by indicating job quality in South Bend.

This report presents evidence at three levels on participation in South Bend: the city and area level; the neighborhood level; and the individual level. The report concludes with estimates of the potential for raising participation in South Bend and for reducing local poverty through greater participation and with a discussion of policy avenues for achieving these changes. Highlights from each of these sections are summarized here.

South Bend’s participation in comparison to the nation, state, metro area and peer cities (Section IIa):

- Labor force participation in South Bend exceeds national, state, and metro area averages.
- Participation in South Bend has been on the rise since 2009, while participation has declined at the national, state, and metro levels.
- South Bend’s participation rate by gender is more equal than the national average.
- Although South Bend’s participation rate is above the national average, its poverty rate is also very high. This suggests that current opportunities in the labor market are not sufficient to bring South Bend’s poverty level in line with peers.
- When compared to peer cities, South Bend’s poverty rate is even higher than the average in these cities and participation is slightly lower.
- While more people in poverty today may be seeking work and contributing to a higher overall labor force participation rate, the data indicates they often remain unemployed.
- Those with less than a high school degree exhibit a labor force participation rate significantly lower than other educational groups.
- Below average participation rates combined with high poverty rates indicate that those with low educational attainment, those defined as disabled, and single mothers with young children are groups of particular concern.

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1 Figure 1-7, Aggregate Data
Participation by neighborhood in South Bend (Section IIb):

- Labor force participation varies significantly across and within South Bend neighborhoods, and data show a clear relationship between participation and poverty (figure below).
- Neighborhoods in the central and southwest areas of South Bend have some of the lowest labor force participation and highest poverty rates. These may be good areas for targeted policy.
- Tracts with below average labor force participation have, on average, less educated residents, higher poverty rates, lower average incomes, less employment, and higher rates of disability. The residents of these tracts also spend less on transportation and housing.
- While average travel time to work is equal between tracts with high and low participation, some of the lowest participating tracts have travel times 20-25% longer than the highest participating tracts.
- Within South Bend neighborhoods, improvements in poverty, high school attainment, and participation among the disabled are related to higher levels of overall participation.
- Regression analysis suggests that a 10 percentage point decrease in poverty in a given neighborhood could result in a 4.2 percentage point increase in labor force participation.
Participation in South Bend at the individual level (Section IIc):

- Closely examining the reasons for non-employment and patterns of participation across different types of individuals provides the basis for a more targeted approach.
- The biggest reason for non-participation in the South Bend-Mishawaka area is to take care of their home or family, while throughout the entire United States, it is because they are in school or another form of education.
- Among youths and elderly people, South Bend has higher rates of participation than the national average, whereas for middle age workers, South Bend trails the national level slightly.
- Local data from the U.S. Census shows that institutionalization rates in South Bend among 21-25 year-olds are higher than the national level. Since institutionalized individuals have very low levels of labor force participation, this metric is a cause for concern for longer-term participation among these individuals in South Bend.
- Educational enrollment among South Bend’s 16-20 year-olds lags the national average. This is problematic because people in this age group who are not actively pursuing an education are at risk of not completing high school, putting them in a group with below average labor force participation.
- South Bend systematically has a higher rate of disability than the national level, which could make increasing the overall participation rate more difficult.
- South Bend also has a higher rate of single mother headed households than the national average, and this seems to be concentrated into two main ranges: 26-45 and 56-65. Almost 15% of all people aged 31-35 in South Bend are single mothers, which emphasizes the importance of childcare in the South Bend community.
Selected policy options to address the labor force participation rate in South Bend (Section III):

- If the city were to cut the number of high school dropouts in half, there would be a 7.75 percentage point increase in the portion of the population with a high school degree or more. This could translate into approximately 735 new participants entering the labor force if their participation matches that of current high school graduates.
- Two tracts with the highest prevalence of high school dropouts, tracts 22 and 27, could gain an additional 279 participants if the city raised the percentage of those with a high school degree in those two tracts to the South Bend average.
- Increasing the participation rate in South Bend to 69.8% (that of a comparable peer, Sioux City, IA) could bring 490 previously in-poverty individuals into the work force and raise them above the poverty level.
- Bringing the participation of the three lowest-participating tracts (17, 20, 27) up to South Bend’s average participation rate (65.2% in the data for this analysis) would increase South Bend’s average participation rate by 1.9 percentage points to 67.1%. This could also alleviate the poverty of approximately 481 individuals in the city.
- If South Bend were to raise participation among its disabled population to the Sioux City average—from 44% to 50%—an additional 601 participants could join the labor force.
- Placing further emphasis on additional pathways to employment such as apprenticeship programs, career pathway curricula, and vocational training will contribute to a stronger and more inclusive labor force.
- Increasing investment in childcare programs like the Salvation Army’s Kroc Center offers a clear avenue to help a large number of single mothers escape poverty. Possible funding for such initiatives could be pulled from the Community Development Block Grant.
- Make Work Pay is a proven tax credit incentive program that encourages employment and can have a large impact on the single-mother demographic.
I. Overview

What Does Labor Force Participation Tell Us?

Over the last 15 years, the share of the U.S. adult population either employed or looking for work has steadily decreased, peaking at 67.3% in 2000 and hitting a low of 62.4% in September of 2015. This share is called the labor force participation rate (or sometimes, just the participation rate) and is viewed as a key measure of economic health. People who are neither employed nor actively looking for work are not considered a part of the labor force, so a participation rate of 62.4% implies that 37.6% of the U.S. adult population is neither employed nor currently attempting to find employment.

This report examines labor force participation in South Bend with two aims: to understand the advantages and challenges the city faces in this area, and to suggest populations and neighborhoods where participation might be improved through innovative policy.

Despite its many advantages, when viewed alone, the participation rate does not provide a holistic picture of overall labor market health. In particular, the labor force participation rate does not include those members of the population who are without jobs and not seeking employment. Thus, it is possible for an area to have both high labor force participation and low unemployment. Such a situation would indicate that a majority of the unemployed population is not actively seeking work. This would suggest that the area’s working-age population has become discouraged, possibly due to poor job quality (low-paying jobs) or job scarcity in the wake of a recession. If for example, the general job quality of a community is below the necessary pay grade to maintain a certain standard of living, people will be less motivated to seek work, or may remain in poverty even if employed. It is also common for people to become discouraged after a recession and to be less motivated to join the seemingly futile search for employment. Neither of these situations would be fully reflected in an area’s participation rate.

This report acknowledges the limitations of participation, and therefore includes other reliable metrics to provide a more holistic perspective on labor market health. One of these is the poverty rate, which refers to the percentage of the population living below the poverty line. A high poverty rate is associated with a lower standard of living. Increasing labor force participation tends to decrease poverty,\(^2\) so improving participation rates may be a viable way to address poverty in South Bend. The relationship between participation and poverty rates can also provide a clearer picture of economic health by indicating job quality. An area with both a high labor force participation rate and a high poverty rate likely has a large number of low-paying jobs. Thus, this report’s study of participation and poverty in South Bend must take into account the confounding factor of job quality. The unemployment rate, or the percentage of the working-age population that is out-of-work, is another useful metric in evaluating economic health. Often, the unemployment rate is indicative of the number of employment opportunities (or lack thereof) in comparison to the number of workers in a community. Thus, the

\(^2\) Figure 1-7
unemployment rate also plays a useful role in any examination of South Bend’s economic health because it can help policymakers determine whether or not to focus their attentions on creating more employment opportunities in the city. A high unemployment rate and a high participation rate indicate job scarcity, while a high unemployment rate and a low participation rate suggest a scarcity of individuals seeking employment.

Where does South Bend stand?

Analysis of South Bend’s labor force participation rate, which occurs in-depth in Section II, reveals cause for optimism regarding the city’s current situation. Although the United States as a whole has experienced a steady decrease in participation over the last 15 years, South Bend has experienced an overall increase, especially since 2010. The city’s 66% participation rate places it above the average rates for the U.S., the state of Indiana, and the South Bend-Mishawaka Metropolitan Statistical Area. The participation rates for South Bend’s male and female populations are also relatively balanced.

Despite South Bend’s above-average participation, other statistics reveal opportunities for improvement. On a national scale, there is an inverse correlation between poverty and labor force participation rates. However, despite the city’s high participation rate, poverty in South Bend is still well above the national average. 27.8% of individuals in South Bend lived below the poverty line in 2014, compared to 15.5% in Indiana and 14.5% nationally. Breaking South Bend’s poverty statistics down even further reveals that 45.1% of the city’s African-American community and 36.8% of its Hispanic population live in poverty. The city could potentially raise its labor force participation rate even higher if poverty were addressed, and increasing participation could in turn reinforce poverty reduction efforts.

Proposals for Improving Participation

Although labor force participation in South Bend is above the national average, further improvement of the participation rate is a viable solution to high poverty rates in the community of South Bend. There are several ways in which labor force participation may be improved, including tackling more specific issues related to the capability of laborers to participate in the work force. Section III of this report will address a number of potential steps that the local leaders of South Bend could take in order to foster the improvement of labor force participation and the reduction of poverty.

The city’s distribution of poverty varies greatly by location, presenting a strong target for initiatives aimed at reducing inequality within South Bend. In particular, the city’s current public transportation infrastructure could be reviewed. Furthermore, single mother assistance programs (such as increased availability of public childcare and flexible scheduling) could have a positive impact in South Bend, where approximately 55.6% of single mothers fall below the poverty line. Finally, initiatives that assist low-income workers may help address the gap between participation rates and poverty level in South Bend.
Education statistics in South Bend also present a key policy target. Among the city’s prime working-age population (25-64), those without a high school diploma display a participation rate of 61.9%, versus the 87.1% participation rate among those with a bachelor’s degree or higher. Apprenticeship programs, job matching systems, and career pathway training have all been shown to improve workforce skillsets and may help South Bend improve its participation.

To assist in the development of policy proposals, this report will also prepare a set of possible scenarios that will give a picture of what South Bend’s participation rates and poverty levels could look like. These scenarios will fall into three broad categories: education (e.g., What would happen if high school dropout rates were reduced?), poverty (e.g., What would happen if the poverty rate were decreased by some specific amount?), and disability (e.g., What would happen if South Bend improved participation among its disabled population to the level of some of its peer cities?). These numbers will help indicate which proposal areas would be most effective for South Bend to pursue further.

The National Participation Picture

Nationally, labor force participation rates have decreased in the 21st century. The labor force peaked in early 2000 at 67.3%, and has since declined considerably. To understand this decline, it is important to analyze the demographic factors that allowed participation to rise steadily from the mid-1960s until 2000. One notable factor is the increase in the number of women in the labor force. In 1948, only 33% of women were in the labor force, but by the mid-1990s, female labor force participation had risen to 60%. A second major factor is the participation of the baby-boomer generation, who entered their working-age lifetimes during the 1970s and the 1980s. A final factor is improvement in medical technologies that have increased the average life span, leading to individuals working longer and retiring later in life. The contributions of these factors to the late-20th century increase in labor force participation is widely accepted, but today, there is much debate among academics and policymakers as to what has led to the 3.1 percentage point decline in the national labor force participation rate since 2007. Many argue that the participation rate has decreased due to cyclical factors, while some believe that the decline is largely due to structural forces, such as the aging population.

In July 2014, the White House Council of Economic Advisors published a report entitled “The Labor Force Participation Rate Since 2007: Causes and Policy Implications.” This report provides a detailed picture of labor force participation in the United States since the Great Recession that began in 2007. The Council suggests that a 3.1 percentage point decline in participation since 2007 can be attributed to three main sources: the aging of the population (contributing 1.6 percentage points), a cyclical decline in line with previous recessions (contributing about 0.5

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percentage points), and “residual” factors that pre-date the Great Recession (contributing the remaining 1 percentage point).  

Confirming and adding to these findings, a Brookings-American Enterprise Institute (AEI) Report has suggested that much of the decline has indeed been structural in nature, and that because of this, the labor force participation rate will not fully reflect the economy’s improvement since the 2007 recession.  

The oldest members of the baby boomer generation have just recently begun reaching age 62, the minimum age at which Americans can begin receiving social security benefits. The report suggests that the growing retirement of Baby Boomers has contributed about 1.3 percentage points of the overall decrease in labor force participation. The importance of education to participation has also become increasingly more pronounced. Adults with lower levels of educational attainment have dropped out of the labor force at increasing rates over the past few years as demand for low-skilled workers has become less prevalent. The report also cites the expansion of government disability services throughout the years as another possible source of the decrease in participation.

Many studies have revealed the strong inverse correlation between poverty and the labor force participation rate. Generally, the higher the poverty rate is in a given area, the lower the labor force participation is in that area, and vice versa. For this reason, it is important to examine trends in poverty in the United States over the last few decades and to investigate what has been done to attempt to address the issue. President Johnson first acknowledged the necessity for a “war on poverty” in the 1960s. His Council of Economic Advisers outlined the key points of his strategy to be “maintaining high employment, accelerating economic growth, fighting discrimination, improving regional economies, [ . . . ] expanding educational opportunities, promoting adult education and training, and assisting the aged and disabled.” Since the ‘60s, national progress has occurred, and many bipartisan efforts have implemented policies to create opportunity and reward hard work. Poverty decreased by one-third from 1967 to 2012. This measure, according to the 2014 White House Council of Economic Advisers, is rooted by poverty in today’s standards and adjusted for inflation to get an accurate measurement of who falls above or below the poverty line.

The 2014 Council report also demonstrates that unemployment is one of the strongest predictors of poverty. The correlation between unemployment and poverty, and consequently between labor force participation and poverty, is of significant importance for

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6 Aaronson, S. et al., “Recent Developments and Future Prospects”.
7 Aaronson, S. et al., “Recent Developments and Future Prospects.”
8 Aaronson, S. et al., “Recent Developments and Future Prospects”.
9 The War on Poverty 50 Years Later: A Progress Report.
10 The War on Poverty 50 Years Later: A Progress Report.
South Bend. Increasing labor force participation could play a prominent role in efforts to decrease South Bend’s high poverty rate. Furthermore, an analysis of the relationship between the city’s participation and poverty rates can highlight the need to target policies towards job quality in the city. Overall, raising labor force participation can serve as a powerful means for improving quality of life in South Bend.

IIa. Key Indicators: How Does South Bend Compare?

Figure IIa-1 shows that South Bend currently has a labor force participation rate of 66% in the most recent single-year data. To provide context, Indiana has a labor force participation rate of 64%, putting South Bend above average in labor force participation. However, South Bend shows a poverty rate of 27.8% and 9.3% unemployment. Both of these numbers are also above state averages; Indiana has a 15.5% poverty rate and 7.1% unemployment. In summation, while South Bend possesses a relatively high number of citizens who are in the workforce, there are many residents who cannot find work and remain unemployed.

More worrying, though, is the extremely high rate of poverty. Although not all individuals in poverty are participating in the labor market, the combination of high poverty rates and high participation in South Bend suggests that the base of employment in the city is not sufficient to keep poverty at levels closer to that in the rest of the state.

![Labor force participation and other measures in SB and IN](image)

**Figure IIa-1.** Source: American FactFinder, 2014 American Community Survey. (LFPR and unemployment are from 1-year estimates, while poverty rate is from 5-year estimate.)
Figure IIa-2 breaks down the key statistics of labor force participation, unemployment, and poverty by demographic group in South Bend.

Looking at the labor force participation by race/ethnicity, it is interesting to note that the Hispanic/Latino population stands out with the highest labor force participation rate of all racial/ethnic groups, with a 72.5% labor force participation rate. Each of the other three groups is clustered around a 62-64% labor force participation rate. When it comes to unemployment and poverty rates, the figure shows that South Bend’s African-American population has the highest rate of both metrics, while the Hispanic/Latino population has the second-highest rate of both unemployment and poverty. This indicates that the Hispanic/Latino population may occupy lower paying jobs.

![Key Statistics by Demographic](image)

Figure IIa-2. *Source: American FactFinder, 2014 American Community Survey*

When it comes to breakdowns by gender, the graph shows that men have a slightly higher labor force participation rate than women, as well as a higher unemployment rate. (The breakdown by gender for poverty was not available). The figure also includes a line for females with

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12 In this figure, both the male and the female labor force participation rates are higher than overall population rate; this is attributable to differing age metrics. The age range for the divided statistics is from 25-64, while age range for the overall population statistic is 16 and older. This explains the discrepancy between the overall statistics and the breakdowns by gender.
children less than six years of age, and it shows that females with children under six have an unemployment rate even higher than men, as well as a poverty rate of 58.4%.

The next set of breakdowns examines key metrics of groups based on educational attainment. The figure shows that additional levels of education reduce levels of poverty and unemployment, and increase labor force participation. Those without a high school degree exhibit a labor force participation rate significantly lower than other educational groups.

Finally, the figure shows that disabled residents of South Bend have a labor force participation rate of 44.3% and an unemployment rate of 28.1%. (Poverty data was unable for this demographic group).

**South Bend Participation across Time**

A second striking feature of labor force participation in South Bend is that it has been increasing in recent years, in strong contrast to the metro area, state, and nation as a whole. The figure below graphs a comparison of Participation Trends Relative to 2005, for the national level, state level, South Bend MSA and South Bend city.

As the graph below indicates, nationally and in Indiana, participation was lower in 2010 than in 2005, and this gap widened by 2014. In contrast, South Bend city had a small fall in participation in 2010, after the 2008/09 recession. However the city has since recovered and currently has higher participation than in 2005. Consequently, the city’s participation rate has risen above the national average.
It is important to note that participation across time in the South Bend MSA has fallen drastically since 2005, while it has increased for South Bend city during the same period. South Bend MSA had a high starting point of 67.80% in 2005 which had fallen to 63.30% in 2010, after the recession. However, unlike South Bend city which has exceeded its pre-recession participation, South Bend MSA is as of 2014, 2.9 percentage points (pp) below its 2005 level.

Furthermore, within this overall increase in participation in the city of South Bend, there are a number of important differences across groups. The figures below show recent trends in participation by gender, education, and disability and poverty status. As with the previous figure, South Bend city trends are presented alongside those for the metro area, state and nation. In order to make the trends clear, all levels are relative to 2005.

The figure below shows how participation for women and men has changed relative to the 2005 level.
Of people between the ages of 20-64, the South Bend city average participation rate for 2014 is 78.4%, which is above the national average of 77.2%. On the national level, the graph illustrates how participation among women is still above the 2005 level, however it has fallen since 2010. There has been a decrease in participation among men in working age over the last ten years. Thus, since female participation has increased since 2005 while male participation has decreased, the overall gender participation gap has decreased.

In contrast, South Bend city experienced a large fall in participation for both men and women in 2010 relative to 2005. This trend has been reversed for women who as of 2014 have higher participation than in 2005, and substantially improved for men. As a result, the gender distribution in the labor force is relatively even in South Bend city and, in contrast to the national level, improving.
The graph comparing labor force participation among people 25-64 years old indicate that nationally, in Indiana and in South Bend MSA and city, participation improves with higher educational attainment.

It is important to note how the difference in participation among people with a bachelor’s degree and people with less than high school is becoming increasingly pronounced in South Bend city over time. Furthermore, this is also the case, though to a lesser extent, for people with high school diploma and less than high school. In other words, South Bend city is seeing a growing gap in participation based on educational attainment.

Figure IIa-8, contained in the appendix, showcases the constant, positive effect which educational attainment has on labor force participation. It is clear to see, no matter the time or area which is being examined, that a higher level of educational attainment leads to higher rates of participation in the workforce. The difference in labor force participation between a person who did not graduate high school and a person with a Bachelor’s degree (or higher) is highly significant; each area and time of study in the graph above shows a gap of no less than 20 percentage points between the two groups. While promoting education is not a groundbreaking idea, it remains one of the most dependable options to increase labor force participation and standards of living.
The level of participation in the labor force among disabled people has been decreasing nationally since 2005. However, in South Bend city the level of participation remained unchanged between 2010 and 2014.

Furthermore, the graph illustrates how South Bend MSA and city has seen increasing participation among its citizens living below the poverty line. On the national level as well as in Indiana this has remained around 50%. In contrast, in South Bend city has gone from 53.3% in 2005 to 61.3% in 2014, an 8 percentage point increase. However, unemployment among people living below the poverty line has increased in South Bend city and MSA from 19.9% in 2005 to 31.8% in 2014. This means that despite the participation increasing over the same period, the amount of people below the poverty line employed has fallen from 42.7% in 2005 to 41.8% in 2014. Consequently, more people in poverty may today be seeking work creating a higher overall labor force participation rate, but they remain unemployed.
Comparison of Key Indicators across Cities

This section compares South Bend to ten “peer cities.” These ten cities have been chosen because their size, demographic characteristics, and overall economic profile make them quite similar to South Bend. Comparing South Bend’s unemployment, poverty, and labor force participation metrics with these hand-picked comparison cities will provide valuable insights into South Bend’s economic performance, especially by highlighting strengths and weaknesses in South Bend’s economy.

![Comparison of Key Indicators for Peer Cities](image)


Figure Ila-7

South Bend’s labor force participation is only slightly below the average of these peer cities. But, it has the highest unemployment rate of all. Could bumping up the labor force participation get it back to the average on unemployment and poverty? For example, Kalamazoo’s unemployment is just lower than South Bend’s while its labor force participation is just above. A big takeaway is that South Bend falls below average when compared to these peer cities. A bump in labor force participation of 1% could make a big difference in its comparative standing. This is the “gap” that would really make a difference in the economic vitality of the city.

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13 Athens is a consolidated city-count.
There is clearly an inverse relationship between labor force participation and poverty. Cities like Cedar Rapids and Sioux City have high labor force participation and low poverty rates. Cities like Athens and Canton have low labor force participation and very high poverty. At this point, however, we cannot determine whether this is correlation or causation.

IIb. Participation by Neighborhood In South Bend: What Correlates With High Neighborhood Participation? Where Should Challenges Be Addressed?

This section takes a closer look at labor force participation at the neighborhood level within the city of South Bend. Census tracts are used to approximate neighborhoods\(^\text{14}\).

South Bend is comprised of 35 tracts, ranging from 1,115 to 4,935 residents per tract\(^\text{15}\), with an average of 2,465 residents per tract. Map 1 shows the geographic distribution of tracts within South Bend. Some tracts fall partially within the city limits, but not completely. These tracts are generally excluded from the analysis below. In total, 86,262 people reside in the 35 included tracts that officially comprise the City of South Bend City as of 2014. The official population of South Bend City is 101,190 as of 2014; the discrepancy in these numbers is due to some tracts falling across the city boundaries.\(^\text{16}\)

This section will provide analysis of demographic and socioeconomic data by neighborhood in South Bend by analyzing data primarily from the US Census Bureau and its Business Builder Tool. These findings draw attention to characteristics within these tracts which may be important for achieving the goals of raising the labor force participation rate and improving economic health. Because these data are based on five-year estimates, the overall participation rate differs from that in the 2014-only data: 65.2% versus 66%.

**What are the General Labor Force Participation Rate Trends and Socioeconomic Characteristics in South Bend Neighborhoods?**

In order to analyze some general participation trends within South Bend, the 35 tract neighborhoods have been grouped into 5 larger neighborhoods or regions, based on geographical location.\(^\text{17}\) The following map shows these divisions.

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\(^{14}\)Census tracts are “small, relatively permanent statistical subdivisions that are updated by local participants prior to each decennial census...The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data.” While tracts are determined by the US Census Bureau and local governments, they are considered to be “good representations” of neighborhoods (US Census Bureau).


\(^{16}\)The absence of Tracts 110 and 118 from the data is the main source of the population difference.

\(^{17}\)The divisions are as follows; Northwest: 1, 2, 3.01, 3.02, 4, 5; Southwest: 21-28; South: 29-35; Central/Downtown: 6, 7, 8, 17, 19, 20; East: 9-16
Map 1: South Bend Boundaries, Census Tracts, and Large Neighborhood Divisions

Source: City of South Bend 2010 Census Report
Figure IIb-1 shows that participation varies across these neighborhoods, from a low of 61% in the southwest to a high of 69% in the East. The average participation rate of all of South Bend is 65.2%.

**Figure IIb-1. Labor Force Participation Rate by Large Neighborhood**

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Labor Force Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwest</td>
<td>66%</td>
</tr>
<tr>
<td>Central</td>
<td>62%</td>
</tr>
<tr>
<td>Southwest</td>
<td>61%</td>
</tr>
<tr>
<td>South</td>
<td>68%</td>
</tr>
<tr>
<td>East</td>
<td>69%</td>
</tr>
</tbody>
</table>

Source: US Census Bureau; Census Business Builder: Regional Analyst Edition

Within these large neighborhoods there is great variation in both participation and poverty, which is demonstrated by some of the following ranges and analyses presented for these characteristics.

The eastern neighborhood has an average participation rate of 69% across tracts, which is significantly higher than the South Bend average of 65.2%18, and the highest across the five large neighborhoods. However, within the eastern neighborhood, participation still ranges from 59% to 77% across these tracts. The average poverty rate is 22%, which is lower than the South Bend average of 27.8%19. Two tracts are positive outliers in this region: Tracts 12 and 16. These tracts have average poverty rates of 3% and 4%, respectively. Tract 12 also has a high labor force participation rate of 77%. Controlling for these two tracts, the poverty rate becomes 29% and the average labor force participation rate becomes 67%, as the remaining tracts share more similar characteristics.

18 65.2% is the average labor force participation rate for the 101,190 residents of South Bend as of 2014, which is the average from the aggregate data.
19 27.8% is the South Bend average poverty rate for the 101,190 residents of South Bend as of 2014.
The northwest neighborhood has an average labor force participation rate of 65%, which is roughly equal to South Bend’s average. Still, the labor force participation rate ranges from 58% to 72% in these tracts. The tracts in the northwest neighborhood can be divided into higher and lower performing subsections. Tracts 2, 3.02 and 4 have an average labor force participation rate of 61%, while tracts 1, 3.01 and 5 have an average participation of 70%. This entire large neighborhood has an average poverty rate of 34% with a range from 23% to 53%. The poverty rate in Tract 4 is 53%, which is nearly double the South Bend average. Controlling for Tract 4 brings the average poverty rate down by 4 percentage points to 30%.

The average labor force participation rate of the southwest tracts is 61%, with a range from 32% to 72%. This is the largest range found in these large neighborhoods, suggesting great diversity in the economic situations of these residents. Tracts 27 and 28 have extreme participation rates: 32.1% and 72.2%, respectively. After removing these extremes on the upper and lower ends, the average rate becomes 64%. The average poverty rate for the southwest neighborhood is 37%, with a range from 22% to 54%. Two of the tracts have poverty rates above 50%, while two tracts have poverty rates below the South Bend average.

The average labor force participation rate of the southern neighborhood tracts is 68%, ranging from 61% to 76% across tracts. This is the smallest range, suggesting a greater degree of uniformity in these tracts. Only one tract, Tract 34, falls below the South Bend average labor force participation rate with a participation rate of 61%. The southern neighborhood has an average poverty rate of 31%, with a range from 7% to 43%. The low poverty rate of 7% is from Tract 32, and controlling for this extreme tract causes the average poverty rate for the southern neighborhood to increase by 4 percentage points to 35%.

The central/downtown neighborhood includes the downtown business district, as well as some of the area near the University of Notre Dame. The average labor force participation rate in this region is 62%, with a large range from 41% to 72%. The average poverty rate is 35%, and the range is from 8% to 56%, which is the largest variation in poverty among these large neighborhoods. It is clear that there is great diversity in these central tracts, with two extreme tracts in the region. In Tract 8, the average poverty rate is 8%, and the labor force participation rate is 72%. In contrast, Tract 20 has a poverty rate of 56% and a participation rate of 56.6%. After excluding the data from these two tracts, the remaining tracts in the region show more similar characteristics, with an average neighborhood participation rate of 60% and poverty rate of 37%.

Maps 2 and 3 present a tract-level breakdown of labor force participation rate and poverty rate, respectively.
Map 2: Tract-Level Labor Force Participation Rates

Source: US Census Bureau; Census Business Builder: Regional Analyst Edition

Map 3: Tract-Level Poverty Rates

Source: US Census Bureau; Census Business Builder: Regional Analyst Edition
Comparing and Contrasting Above Average and Below Average Tracts

The comparisons of large neighborhoods suggest that, while there are important differences in participation across areas of the city, there is also large variation within these regions. To better understand the tract-by-tract differences, the tracts were split into two groups: those tracts at or above South Bend’s average labor force participation rate and those tracts below South Bend’s average labor force participation rate. Table IIb-2 presents the averages for these groups for a number of key characteristics.\textsuperscript{20}

The results from Table IIb-2 show that South Bend tracts with below average labor force participation have, on average, less educated residents, higher poverty rates, lower average incomes, less employment, and higher rates of disability. Though these trends show correlation, it is more difficult to prove causation. Statistics like labor force participation rate and poverty are affected by a wide variety of factors, which make these determinations challenging. Furthermore, the cyclical nature of many challenges faced by South Bend residents makes it difficult to determine causation. For example, it may appear that low labor force participation causes higher rates of poverty. However, it may also be true that poverty presents barriers to employment, such as a lack of affordable childcare. Therefore, it is difficult to determine the direction of causality.

Tracts with below average participation also have lower transport spending per person on average, which may suggest that these residents are less likely to use personal vehicles and may rely more strongly on public transport. These tracts also demonstrate lower housing spending per person on average, which may suggest that these residents live in low-cost or even public housing, and may be more likely to rent than to own a home. Interestingly, the average travel time to work is fairly similar between these two groups.

\textsuperscript{20} In the table, the employment rate is given rather than unemployment because unemployment data was not accessible at the tract level.
### Table: Comparing Above Average Labor Force Participation Rate and Below Average Labor Force Participation Rate Tracts

<table>
<thead>
<tr>
<th>Average across Tracts</th>
<th>Tracts Below SB Avg. LFPR</th>
<th>Tracts At or Above SB Avg. LFPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Tracts</td>
<td>13</td>
<td>22</td>
</tr>
<tr>
<td>Population</td>
<td>2269</td>
<td>2580</td>
</tr>
<tr>
<td>Labor Force Participation Rate</td>
<td>57%</td>
<td>70%</td>
</tr>
<tr>
<td>% Below Official Poverty Rate</td>
<td>43%</td>
<td>25%</td>
</tr>
<tr>
<td>% HS Degree or higher</td>
<td>77%</td>
<td>83%</td>
</tr>
<tr>
<td>% Bachelor Degree or higher</td>
<td>17%</td>
<td>23%</td>
</tr>
<tr>
<td>Household Annual Income</td>
<td>$35257</td>
<td>$51023</td>
</tr>
<tr>
<td>% Employed</td>
<td>46%</td>
<td>60%</td>
</tr>
<tr>
<td>% Disabled</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Household Size</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Local Transport Spending/person</td>
<td>$1875</td>
<td>$2592</td>
</tr>
<tr>
<td>Housing Spending/person</td>
<td>$3824</td>
<td>$5213</td>
</tr>
<tr>
<td>Travel Time to Work (minutes)</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: US Census Bureau; Census Business Builder: Regional Analyst Edition

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21 The labor force participation rate is defined as the percent of population 16 years and over in labor force (US Census Bureau). The percent below the official poverty rate is defined as the number of families and individuals whose total income falls below an official poverty threshold, which varies by family size and composition (US Census Bureau). The percent disabled is defined as the percent of the population living with a hearing, vision, cognitive, ambulatory, self-care, or independent living difficulty (US Census Bureau). Housing spending per person is per capita consumer expenditures on shelter, owned dwelling (including mortgage, insurance, and tax expenses), rented dwelling, and other lodging (Bureau of Labor Statistics). Local transportation spending is per capita consumer expenditures on vehicle purchases, gasoline and motor oil, other vehicle expenses, and public and other transportation (Bureau of Labor Statistics).
How is Labor Force Participation Related to Other Variables in South Bend Tracts?

After examining the above and below average tracts, we can go a step further by looking at correlations from a regression analysis. Table IIb-3 shows results from this analysis of the tract-level data. The results show which individual factors are correlated with participation, after accounting for the other factors shown. For example, we can estimate the effect that a change in a tract’s poverty rate has on the participation rate, with other factors like education and disability kept unchanged.

In general, the β coefficient shows whether a specific factor is associated with increased or decreased participation, and to what magnitude. The p-value shows whether this relationship is deemed statistically important. The coefficients with asterisks in the table were found to be statistically important.

IIb-3 Correlations between Key Variables and Labor Force Participation Rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>β Coefficient</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Rate</td>
<td>-.42*</td>
<td>.01</td>
</tr>
<tr>
<td>% HS Degree or higher</td>
<td>.39*</td>
<td>.04</td>
</tr>
<tr>
<td>% Disabled</td>
<td>-.51</td>
<td>.14</td>
</tr>
<tr>
<td>Average Travel Time to Work</td>
<td>.95*</td>
<td>.01</td>
</tr>
<tr>
<td>Transport Spending/Capita</td>
<td>~0</td>
<td>.27</td>
</tr>
<tr>
<td>Housing Spending/Capita</td>
<td>~0</td>
<td>.25</td>
</tr>
<tr>
<td>Avg. Household Income</td>
<td>~0</td>
<td>.60</td>
</tr>
</tbody>
</table>

n=35  R²=0.54  Adj R²=0.41
* Denotes estimates that are statistically significant at the 90% confidence level.
Source: US Census Bureau; Census Business Builder: Regional Analyst Edition

The results of this analysis suggest some pertinent correlations between labor force participation and other variables in South Bend. Using poverty rate as an example, the results may be interpreted as follows: a one percentage point decrease in a given tract’s poverty rate corresponds with a 0.42 percentage point increase in that tract’s participation rate. Reducing poverty by 10 percentage points in a given tract could suggest an improvement in participation by 4.2 percentage points in those tracts. This finding is statistically significant and demonstrates the strong relationship between poverty and labor force participation.
This table also suggests a fairly strong positive relationship between high school completion and participation. There is also some evidence of a negative relationship between disability and participation.

Interestingly, the coefficients on transport spending, housing spending, and average household income are all virtually zero (with somewhat weaker significance). This means that when issues such as poverty and education remain unchanged, these other variables seem to have little effect on participation. This suggests that policies should be focused on addressing things like poverty, education, and disability services. Furthermore, it may be that transportation spending is not strongly linked to participation, but there is still the possibility that transportation quality and access may be concerns. This is worthy of further exploration.

Finally, it is worth pointing out a counterintuitive finding. The large coefficient of .95 for average travel time to work suggests that longer travel times are strongly related to higher participation. Because this reflects an average across all tracts, it differs from our observation that some of the lowest-participating tracts have travel times three to four minutes higher than some of the highest-participating tracts.

**Ilc. Participation Differences among Individuals: What predicts participation?**

The prior section focused on participation differences across neighborhoods of South Bend. This section takes a look at participation at the individual level. While the previous section suggests *where* efforts to increase participation might best be targeted, this section shows *who* should be the focus of these efforts by closely examining the reasons for non-employment and patterns of participation across different types of individuals.

Using data from the Current Population Survey (CPS), the graph below shows reasons for non-participation. These are based on the most recent five years of CPS estimates, which provide data reflecting the population in the South Bend-Mishawaka metropolitan area and across the nation over the 2010-2014 period. The primary reasons for non-participation are broken down by percentage in the following groups: ill or disabled, retired, in education, taking care of family or house, could not find work (often called discouraged workers), and other reasons.
Looking at this graph, there are a few similarities between the South Bend-Mishawaka and nationwide labor force non-participants. First, the percentage of those who are discouraged workers (could not find work) is only about one percentage point higher within the South Bend metropolitan area than throughout the entire nation. There are also similarities between the South Bend-Mishawaka labor force and the nationwide labor force for those who are retired as well as those who left the labor force for other, undisclosed reasons. However, there are a few key differences between non-participants in the South Bend-Mishawaka metropolitan area and the national averages. The biggest reason people in the South Bend-Mishawaka area drop out of the labor force is because they need to take care of their home or family, while throughout the entire United States it is because they are in school or another form of education, developing job skills necessary for the modern workforce. In fact, South Bend-Mishawaka has about five percentage points fewer people enrolled in an educational program than the national estimates.

The next several figures provide a further look into these reasons for non-employment. The graphs below take a look at each of the main causes of non-participation presented above, splitting them by age group. In this way, light can be shed on age groups that need special attention. This will help policymakers gather more information for possible options in dealing with non-participants, while also highlighting areas where these problems are concentrated, allowing policymakers to focus their efforts. The analysis first uses national data alone to examine patterns in non-participation among those caring for family and those who are discouraged. Those groups cannot be reliably studied using data only from the South Bend metropolitan area. The analysis then turns to the prevalence of several other characteristics that affect participation, including disability, education, single motherhood, and institutionalization. In these cases, the populations can be studied at both the national and metro levels, so comparisons can be made.
Reasons for Non-Participation: National Data on Caring for Family and Discouraged Workers

**Taking Care of Home or Family by Age:** This figure below breaks down those in the United States who dropped out of the labor force because of commitments to their home or family by age group. Here, a clear trend develops, as the likelihood of a person being out of the labor force due to familial commitments steadily increases until peaking between the ages of 31 and 35, at which point a steady decline occurs throughout the rest of the age groups. This chart is even more interesting when we consider that the South Bend population is actually younger than the national average. These connections indicate that focusing on younger stay-at-home individuals be key for increasing labor force participation and decreasing poverty in the city.

![Graph showing Taking Care of Home or Family as Percentage of Total Population, USA 2010-2014](image)

Source: CPS estimates of national data, ages 16-65 (2010-2014), via IPUMS-CPS

**Could Not Find Work by Age:** The following figure breaks down those in the United States who are out of the labor force because they were unable to find work, also called discouraged workers. Here, an overall downwards trend develops, as the likelihood of a person dropping out of the labor force due to inability to find work peaks early between the ages of 21 and 25, at which point a relatively steady decline occurs throughout the rest of the age groups. This is noteworthy, as the popular perceptions of discouraged workers often assume that older workers are more likely to be discouraged. Bringing discouraged young workers back into the labor force is particularly important for the long-run economic outcomes for this group, and can raise local labor force participation for years to come.
Reasons for Non-Participation: National and Local Data on Disabled Individuals, Educational Enrollment, Single Motherhood, and Institutionalization

Data for the figures in this subsection was obtained from the American Community Survey via IPUMS. This is a survey that is taken each year, as opposed to the census, that tries to provide a statistical sample that accurately reflects the population. For these graphs, a 5 year running sample average from 2010-2014 was used, for both South Bend and the USA as a whole. Although these are samples, the numbers involved are large: the South Bend one has 508 observations, while the USA dataset has 796,905 observations.

Overall Rate of Participation by Age: The figure below shows participation by age for the South Bend metro population and for the nation as a whole. There are two major results. First, among those of working age, South Bend has a slightly higher participation rate than the nation, 70.6% against 70.4%. Furthermore, although the average rate is similar, the distribution is not. Among the youth and more elderly people, South Bend has higher rates of participation, whereas for middle age workers, South Bend slightly trails the national level. This may have interesting implications for educational levels and also the future rate of participation. As has been mentioned, there are strong structural trends that have been putting downwards pressure on national participation rates. Contrary to this trend, South Bend has managed to maintain higher levels of participation.
**Institutionalization**: The below analysis of institutionalization rates by age of the working population aged 16-66 reveals some key differences between South Bend and the US average. It is important to note that this ‘institutionalization’ variable covers asylums, homeless, and elderly shelters as well as correctional institutions. However, it can be assumed that, since the data is cut after age 66, the impact of the institutionalized elderly is absent. Again, South Bend has an institutionalization rate only 0.1% higher than the national level. The noteworthy result is the spike in institutionalization among 21-25 year olds. It is unlikely that this is driven by an exponential increase in mental health issues. Rather, it is likely that the spike is driven by an increase in dependency on homeless shelters or on correctional incarceration. Not surprisingly, institutionalized individuals have very low levels of labor force participation, so their large share among young individuals is a cause for concern for their long-term participation. This suggests that efforts should be made to reconnect formerly institutionalized individuals with work.


**Educational Attendance:** The figure below shows educational attendance by age of the working population. Taken as a whole, South Bend has a 4% higher rate of educational attendance than the national level. This is good, and bodes well for the future of South Bend, since a well-educated and adaptable workforce is an important factor in increasing the prosperity and participation rates of an area. However, even though South Bend has higher levels across most age groups, educational enrollment among South Bend residents lags the nation among 16-20 year olds. This is problematic because people in this age group who are not actively in education are likely to be high school dropouts, or people who do not attain further education. These people are also less likely to work beyond entry jobs (or work at all) and are more likely to be poor in the future. Hence, even though the overall results are positive for South Bend, aiming for higher levels of high school completion would have positive, and long lasting, consequences for the city.
The Rates of Disability: When looking at disability it is necessary to understand that many widely available measures of disability, including that in the figure below, do not take into account the type or severity of a person’s disability. That is to say, the people who appear in this sample have simply told the census that they have some form of disability. Nonetheless, comparing South Bend’s standing relative to the country on this measure is useful.

It is clear from the figure that the working age population in South Bend has systematically higher rates of disability than the national level. It is apparent that the high levels of disability South Bend has among 16-20 year olds persists throughout most of the distribution. In relation to participation rates, this data reveals how South Bend may have greater difficulty in increasing its participation rates among its people. It nevertheless does point out the important role access to work programs for the disabled may have in helping this community.
When discussing participation and poverty, it is important to keep in mind the plight of single mothers. The family unit is an important aspect of American society, not to mention the significant challenges which tend to occur, for both mother and child, in single mother-headed households. According to an AEI/Brookings report on poverty, single mothers are more vulnerable to lower incomes and higher poverty rates. The figure below clearly indicates that South Bend has a far higher prevalence of single mothers when compared to the nation, and this might be a feature that policymakers would want to investigate in the near future.

Furthermore, the gap between South Bend and the national average seems to be concentrated into two main ranges: 26-45 and 56-65; almost 15% of all people aged 31-35 are single mothers. This prevalence may reveal the importance of childcare availability in boosting the participation rates in South Bend. If affordable childcare is not available, then these women have an even greater obstacle to finding a job than other individuals, increasing their risk of poverty.

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III. Potential Impacts of Greater Participation and Options for Getting There

This final portion of the report addresses potential impacts that increasing the labor force participation rate could have on education, poverty, and disability. We also address the opposite: how does changing education, poverty, and disability affect the labor force participation rate. Following, we provide select policy proposals, tailored to the situation in South Bend, to target labor force participation. We address policies targeted at education, transportation, and single mothers, as well as the Make Work Pay program.

IIla. If participation increased for vulnerable groups, what would that mean for South Bend?

In this section, we examine the potential impacts of increasing high school completion, decreasing the poverty rate, and increasing participation among the disabled. It is important to note that these impacts are potential and based on assumptions detailed in a later technical appendix. However, these potential impacts can help identify areas where policy is likely to have larger effects and reach the greatest number of individuals. For example, by increasing the labor force participation rate in the three lowest-performing tracts to 65.2%, we could alleviate 481 individuals from poverty based on estimates detailed below.
**Potential Impacts from Improving High School Completion**

According 2014 5-year ACS estimates, 84.5% percent of the population of South Bend 25 and older had attained a high school degree or higher. Therefore, 15.5% of the population has less than a high school degree. As referenced in previous figures, the labor force participation for high school dropouts is drastically lower than it is for those with a high school degree or higher. The participation rate for high school dropouts is 61.9% and the participation rate for those with a high school degree is 76.6%; the participation rates are higher for those with some college or a bachelor’s degree or higher. Hypothetically, if the number of dropouts is halved, decreasing the percentage of those with less than a high school degree to 7.75%, 735 individuals will enter the labor force.

There are two tracts in South Bend with high numbers of high school dropouts: tracts 22 and 27. In Tract 27, only 58.1% of the population has a high school degree or higher, and the rate is marginally higher in tract 22 with 63.8% holding a high school degree or higher. If we were to bring the labor force participation rates in these tracts up to the South Bend average of 76.6%, which is the participation rate for those with a high school degree or higher, the labor force participation in Tract 27 would increase by 7.2 percentage points, and the participation in Tract 22 would increase by 5 percentage points. The average participation in South Bend would increase by 0.3 percentage points to 65.5%. In Tract 22, an additional 153 individuals would enter the labor force, and 126 individuals in Tract 27 will enter the labor force. Tract 27 has a participation of only 32.1%, so decreasing the number of dropouts could have a drastic change on some of the socioeconomic characteristics in the tract.

**Potential Impacts of Decreasing the Poverty Rate**

According to a report from the Organization for Economic Cooperation and Development, out of all of the new participants in the labor force, 7% of individuals in households with one or more workers remain poor. Therefore, a rough estimate of the impact of labor force participation on poverty reduction is that 93% of new participants who were formerly in poverty will rise above the poverty level. Sioux City is a target comparison city in terms of labor force participation, with a participation rate of 69.8%. If we were to increase the labor force participation rate of South Bend by 4.6 percentage points to match Sioux City drawing proportionately from poverty and non-poverty individuals, there would be approximately 490 previously in-poverty individuals entering the labor force and rising above the poverty level.

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23 U.S. Census. 2014 ACS 5-year estimates.
24 See Appendix for calculations
25 Regression coefficient = 0.39, p-value < 0.10.
26 OECD Employment Outlook 2009
27 See Technical Appendix
There are certain tracts in South Bend with poverty rates that are nearly twice the South Bend average. Tracts 4, 20, 21, and 23 have poverty rates above 50%. Decreasing the poverty rates in these four tracts to the South Bend average of 27.8% would increase the labor force participation rate in South Bend to 66.4%, a 1.2 percentage point increase, and the tract-level participation rates for the four tracts would increase by approximately 10 percentage points.\textsuperscript{28}

**Table III-1. Labor Force Impact of Decreasing Poverty Rate in Select Tracts**

<table>
<thead>
<tr>
<th>Tract</th>
<th>Poverty Rate</th>
<th>Participation</th>
<th>Percentage Point Change in Participation</th>
<th>Additional Number of Labor Force Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>52.8</td>
<td>63.3</td>
<td>10.5</td>
<td>254</td>
</tr>
<tr>
<td>20</td>
<td>56</td>
<td>56.6</td>
<td>11.8</td>
<td>227</td>
</tr>
<tr>
<td>21</td>
<td>53.7</td>
<td>65.9</td>
<td>10.9</td>
<td>120</td>
</tr>
<tr>
<td>23</td>
<td>51.3</td>
<td>64.9</td>
<td>9.9</td>
<td>151</td>
</tr>
</tbody>
</table>

Similarly, there are two tracts in South Bend with very low labor force participation rates. Tract 17 has a participation rate of 40.9% and tract 27 has a participation rate of 32.1%. Tract 20 also has a low participation rate of 56.6%. Increasing participation in these tracts to the South Bend average would increase the South Bend participation rate by 1.9 percentage points to 67.1%. As seen in the following figure, increasing the participation in these tracts to the South Bend average of 65.2% will alleviate 168 individuals from poverty in Tract 17, 69 in Tract 20, and 244 in Tract 27, a total of 481 individuals across South Bend.

**Table III-2. Poverty Impact of Increasing Labor Force in Select Tracts**

<table>
<thead>
<tr>
<th>Tract</th>
<th>Poverty Rate</th>
<th>Participation</th>
<th>Percentage Point Change in Poverty Rate</th>
<th>Number of Individuals Alleviated from Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>43.9</td>
<td>40.9</td>
<td>-10.2</td>
<td>168</td>
</tr>
<tr>
<td>20</td>
<td>56</td>
<td>56.6</td>
<td>-3.6</td>
<td>69</td>
</tr>
<tr>
<td>27</td>
<td>43.7</td>
<td>32.1</td>
<td>-13.9</td>
<td>244</td>
</tr>
</tbody>
</table>

**Potential Impacts of Increasing Participation among the Disabled**

\textsuperscript{28} Regression coefficient = -.42, p-value < 0.10.
Looking at Cedar Rapids and Sioux City (the best-performing comparison cities in terms of labor force participation among those with a disability), an ambitious yet achievable goal for South Bend would be to increase labor force participation among the disabled from 44.2% to 50%, a 13.1% increase off the base. If we were to increase labor force participation among the disabled population in South Bend from 44.2% to 50%, the number of disabled residents in the workforce would increase from 4,579 to 5,180, adding 601 new workers to the labor force. This would increase overall labor force participation in South Bend from 65.2% to 65.9%. Looking at Cedar Rapids and Sioux City (the best-performing comparison cities in terms of reducing unemployment among those with a disability), another reasonable goal is to reduce unemployment among disabled in South Bend from 22.10% to 13.5%, a 64% reduction of the base. If we were to reduce unemployment among the disabled population in South Bend from 22.10% to 13.5%, the number of unemployed disabled residents would decrease from 1,012 to 618, moving 394 residents into jobs. This would reduce overall unemployment in South Bend from 10.3% to 9.69%.\(^{29}\)

### IIIb. Selected Policy Options

The following subsections will provide general policy recommendations for the city of South Bend based on the evidence compiled in this report. The findings of Section II, as well as the results of the above counterfactuals, have highlighted four key areas that could impact the participation and poverty level of South Bend’s population. The first subsection will discuss various initiatives aimed at improving job skills and recruiting employer assistance for such programs. The second subsection will explore the potential positive impact that improved transportation could have on South Bend’s labor force. The third will present programs targeted towards single mothers, especially improved childcare availability. Finally, the fourth subsection will discuss tax credit programs.

**Education and Job Training**

The analysis in this report shows a clear positive relationship between educational attainment and labor force participation. Traditional policy recommendations around education often focus on increasing both high school graduation rates and preparation for, access to, and affordability of university-level programs. These efforts will continue to be important for participation, but we will focus on additional pathways that may be beneficial for South Bend. In particular, studies support the effectiveness of apprenticeships, career pathways curricula, and other vocational programs for improving labor force participation, job-readiness, and earnings potential, especially for disadvantaged workers. These initiatives can be particularly beneficial for students who struggle in more traditional educational programs. They can also be geared toward workers of any age. These types of policies offer the additional benefits of high wages, greater tax revenues, and higher productivity for the economy overall.

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\(^{29}\) See technical appendix.
Apprenticeship programs offer a very cost-effective way to improve the skills and earnings of new workers while also increasing productivity and economic gains for employers. Apprenticeships allow workers to develop technical and soft skills while earning a salary and receiving academic instruction roughly equivalent to one year of community college. Adult vocational training programs, like those under the 1998 Workforce Investment Act Adult Program and its 2015 amended form in the Workforce Innovation and Opportunity Act, can provide workers with the skills necessary to enter the labor force while also improving earnings potentials for disadvantaged workers.

The career pathway approach allows workers to combine classroom training and work experience through a sequence of jobs, within or across firms in an industry. According to a Brookings-American Enterprise Institute (AEI) Report, workforce development in the U.S. occurs predominantly in community and for-profit colleges and lower-tier universities. However, while enrollment rates in these institutions are high, completion rates are low. Thus, research has suggested that alternative job-training approaches like career pathway programs can have a sizable impact on the earnings of the working poor.

The report suggests three policy areas to encourage employer participation in career pathway programs. While their suggestions are largely recommendations at the federal level, they provide a guide for local officials looking to further develop such programs. First, the report calls for more resources and incentives for public colleges in the form of federal funding for schools that tie their subsidy levels to student outcomes. Second, it suggests that educational authorities begin encouraging high-quality vocational education and work-based learning in high schools, while at the same time still encouraging participation in college preparatory curricula. Finally, the report advises that governments should encourage employers to create more “good jobs.” More specifically, they should provide tax credits for incumbent worker training, grant programs and technical assistance for firms, and positive publicity for companies who shift towards the career pathway training approach. Potentially, South Bend could partner with the University of Notre Dame in pursuit of this third recommendation. For example, the two could collaborate in order to create publicity at Notre Dame events for companies participating in these educational programs. Another local resource, WorkOne Northern Indiana, could further assist South Bend in its initiatives to improve the job skills of its working-age population, and which is already taking some steps recommended in the report.

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For example, WorkOne also seeks to recognize those employers that have taken steps to provide employment opportunities to those who utilize the trainings. Further collaboration with WorkOne would potentially be a good option for South Bend to expand skills-training opportunities and improve the participation of discouraged workers, contingent upon the success of local initial efforts.

**Transportation**

One important factor that may affect workers’ access to employment or their employment hours is lack of proper transportation. In recognition of this, it may be helpful for cities to implement strategies that make them more pedestrian-friendly. For example, the presence of more sidewalks and crosswalks would make it much more convenient for local workers to commute on foot or by bike. Walking or biking to work also has several known health benefits for cities and workers. Through the implementation of its Smart Streets Initiative, the city of South Bend has already taken a major step in this direction.

Although there does not appear to be a direct correlation between public bus routes and areas with higher participation rates in South Bend, it is possible that the hours of public transportation are limiting to workers who would work overnight shifts if they had the means to travel. Transpo buses run from 5:10 a.m. to 10:15 p.m. on weekdays, making it difficult for workers who would begin or finish a shift at midnight to get to work or get home. Extending the hours of bus routes at least to midnight or to twenty-four-hour transportation would make it more convenient for workers to participate in jobs with later hours. Another option is to focus on cutting commuting costs and time, as some studies have found a relationship between employment and transportation availability.

Research also suggests that car ownership can be an effective way of increasing participation, particularly among residents in poverty. Lower insurance rates have been shown to increase car access and improve employment among low income residents. Importantly, research also

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36 [https://www.southbendin.gov/government/content/smart-streets-initiative](https://www.southbendin.gov/government/content/smart-streets-initiative)

37 South Bend transpo Rider Information - System Map

38 South Bend transpo Rider Information


suggests that beyond one car per household, additional cars may decrease labor participation among women, so increasing access per se may not always increase overall participation.  

Single mothers

One noticeably disadvantaged subset of the South Bend population is single mothers. Almost 15% of South Bend residents are single mothers, and the poverty rate among single mothers with children under the age of 6 is 55.6%. The labor force participation rate of the city’s single mothers is not much different from South Bend’s average. Therefore, any efforts made to help these single mothers find work most likely would not drastically change South Bend’s overall participation rate. However, the poverty rate of this group nearly doubles South Bend’s average rate, which is already extremely high. Therefore, efforts should concentrate on lifting the average wages of single mothers, rather than on developing programs to help them find work. Reducing poverty rates for this subset potentially could have large and enduring effects. Poverty is often cyclical, passed down through generations. If that cycle were broken for even some of these mothers in South Bend, both they and their children could benefit both now and later.

One policy option targeted towards single mothers is to provide government funds for childcare. If mothers have greater access to childcare for even a few days a week, they could spend more time working and providing for their children and themselves. A concrete example of this in South Bend is found in the Salvation Army’s Kroc Center. Kroc offers after-school, summer, and school-break childcare programs for the local community. Its recent program over spring break was booked to capacity, suggesting the possibility of further unmet need. Providing the Kroc Center with funding to reduce the cost and increase the capacity of their childcare services could greatly help single mothers in South Bend. A possible source of this funding is the Community Development Block Grant, which has been used to fund Kroc in the past.

Another option to assist single mothers is to provide paid family leave. This lowers the cost, both in dollars and in lost work time, of raising children. In addition, a move towards more flexible job scheduling could allow mothers to work hours which are more suited to their schedules.

Make Work Pay

The Make Work Pay Credit was a provision of the American Recovery and Reinvestment Act of 2009, or ARRA. The ARRA, through the Make Work Pay Credit, created an earned income tax

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43 See llc.
credit of up to $400 for working individuals and up to $800 dollars for married taxpayers. The tax credit is designed to encourage work among low to moderate income populations because a worker’s credit grows with each additional dollar of earnings until reaching the maximum value. Programs that target tax credits and wage levels have been shown to have a positive impact on employment and earnings, with single mothers in particular benefiting strongly. As this report has identified single mothers as a South Bend demographic group for whom poverty is especially high, initiatives that strongly benefit this demographic may merit further consideration.

Make Work Pay initiatives have thus far largely taken place on the national or state level, although a few city-level programs have been enacted, mainly in large cities like New York City and San Francisco. The San Francisco Working Families Credit (WFC) was launched in 2005 and “provides a local match... to the federal EITC for families with children.” In its first year, the program supplemented the incomes of low-income families in San Francisco by an average of $220. Furthermore, the implementation of the city’s WFC holds a number of important lessons for other cities looking to pursue similar programs. In particular, the WFC demonstrates the value of including a wide range of voices in the design, implementation, and review of low-income programs.

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45 http://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit
48 http://www.brookings.edu/research/opinions/2006/06/26childrenfamilies-berube
49 http://www.brookings.edu/research/opinions/2006/06/26childrenfamilies-berube
Figures Appendix

Source: US Census Bureau, 2005-7 and 2011-13, American Community Survey 3-year Estimates

Figure 1-8
Technical Appendix A.

Education Calculations
1) Take SB population estimate from 2014.
2) Subtract % of population < 25 years old to get modified population estimate (64,458).
3) Multiply modified population estimate by 15.5% (% with less than high school degree) to get the number of high school dropouts (9,991).
4) Multiply the number of high school dropouts by the labor force participation rate for those with less than a high school degree (9,991*61.90%=6,184).
5) Divide the number of high school dropouts by 2; this is halving the number of high school dropouts (4,996).
6) Assume that ½ of the dropouts will get their high school degree. Multiply this ½ by the labor force participation rate for those with a high school degree (4,996 *76.60%=3,093).
7) Multiply new # of dropouts by 61.90% to get the high school dropouts currently in the workforce (4,996*61.90%=3,827).
8) Add the total number of participants under the counterfactual assumption (3,093+3,827=6,919).
9) The total new participants under the counterfactual assumption equals the difference between the total participants found in step (4) and step (8). This is equal to an addition of 735 individuals to the South Bend labor force.

Poverty Calculations
1) Take SB population estimate from 2014.
2) Subtract % of population <18 and >65 to get modified population estimate (60,916).
3) Multiply modified population estimate by the labor force participation rate to get current labor force aged 18-64 (60.916*.652)
4) Multiply labor force by % of labor force under the poverty level (39,717*.188)
5) Assuming LFPR increases to 69.8%, calculate the new labor force aged 18-64 (60.916*.698).
6) Subtract old labor force from hypothetical labor force to get the number of new participants (2,802).
7) Assume that 18.8% of individuals in the labor force were formerly in poverty (2,802*.188)
8) Using the OECD report, 93% of new LF entrants become non-poor. Multiply in-poverty participants by 93%.
9) This is the number of new, in-poverty individuals that would enter the labor force and exit poverty.

Disability Calculations
1) Take SB population estimate from 2014.
2) Subtract % of population >65 years to get modified population estimate (B4)
3) Multiply modified population estimate by %disabled to get estimate of #disabled in SB.
4) Multiply #disabled by .442 = #disabled currently in workforce.
5) Multiply #disabled by .50 = proposed counterfactual #disabled in workforce.
6) Take the difference between step 4 and step 5 = increase in labor force if proposed boost is achieved.
7) Add this number to total # in SB labor force now to get new total # in SB labor force.
8) Recalculate new (proposed) overall LPR.

1) Take SB population estimate from 2014.
2) Subtract % of population >65 years to get modified population estimate.
3) Multiply modified population estimate by %disabled to get estimate of #disabled in SB.
4) Multiply #disabled by .442 = #disabled currently in workforce.
5) Multiply #disabled currently in workforce by .221 = current #disabled unemployed.
6) Multiply #disabled currently in workforce by .135 = proposed counterfactual #disabled unemployed.
7) Take the difference between step 5 and step 6 = reduction in unemployment if proposed boost in employment is achieved.
8) Subtract this number from total # unemployed now (B19) to get new total # unemployed.
9) Recalculate new (proposed) unemployment rate.

[1] Because this exercise only involves raising participation among the disabled who are under 65
[2] Note: the most recent overall SB population estimate we have is from 2014, but the most recent %disabled and %over65 stats are from 2010.