THE IMPACT OF TARGETED PARTNERSHIP GRANTS ON MINORITY EMPLOYMENT

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This paper assesses the relative impact of the major design components of the Urban Development Action Grant (UDAG) targeted partnership development initiative on minority employment in the Pittsburgh, Pennsylvania Primary Metropolitan Statistical Area (PMSA). Data are drawn from records obtained from the Department of Housing and Urban Development of completed UDAG projects between 1978 and 1988 for the Pittsburgh PMSA. The results suggest that targeting geographic projects by leveraging private investment in a central city does not yield a significant increase in minority employment. Moreover, the geographic emphasis of UDAG projects do not exhibit an ability to increase minority employment. These findings support the benefit capitalization and ecological fallacy arguments, which propose that the benefits of targeted partnerships (i.e., employment) is shifted away from the original beneficiaries. The paper concludes by discussing the implications of these findings and directions for future research.

THE EFFECT OF TARGETED PARTNERSHIP GRANTS ON MINORITY EMPLOYMENT

Over the past two decades, the federal government has targeted public dollars to declining communities with the objective of improving economic opportunities for local residents. A primary example is the Urban Development Action Grant (UDAG) program. This program is based on the principle of geographic targeting through public-private partnerships to directly assist people, places, or firms with special needs. In effect, the program is designed to encourage private investment by using public funds to reduce the risk of investing in distressed areas and, in turn, stimulate job creation among socially disadvantaged residents.
The targeting approach of job creation, however, has been the subject of major controversy. While state and local officials, as well as some private entities, have applauded this approach as a viable tool for countering economic decline in local areas, others have argued that the approach is an ineffective and inequitable means of providing government assistance to low income and minority persons in distressed areas. In particular, critics argue that a geographic targeting grant program, such as UDAG, may have its benefits diverted from the intended beneficiaries through ecological fallacy or through the process of benefit capitalization. Ecological fallacy refers to a skewing of eligibility such that eventually ineligible individuals become beneficiaries by their place of residence, while some intended beneficiaries are excluded for the same reason. Benefit capitalization, on the other hand, is a shifting of benefits (i.e., employment and wealth) from the original beneficiaries to the owners of land and skilled labor pool; a shifting that may sometimes involve the actual removal of the intended beneficiaries from the target area.

The purpose of this study is to test these two propositions by assessing the impact of using UDAG to leverage private investment with the intent of providing economic benefits (i.e., jobs and income) to minority persons residing in the Pittsburgh Primary Metropolitan Statistical Area (PMSA). The Pittsburgh PMSA is considered to be the most appropriate site for this study for two reasons. First, in the 1970s and early 1980s, the area’s primary industry, steel, suffered a major decline, which led to the loss of many jobs in primary metals, electric machinery, and transportation industries. These economic changes in the local economy established the Pittsburgh PMSA as a distressed area, and thus, a prime recipient of UDAG funds. Second, similar to most older urban centers, a majority of minorities in the Pittsburgh PMSA reside in the depressed areas of the central city. Since a major objective of the UDAG program is to reduce the jobless rate among minority persons residing in distressed local areas, we might expect a positive association between the level of private investment leveraged by UDAG projects and the number of new permanent minority jobs while controlling for location and the type of economic activity funded by UDAG. Conversely, no significant relationship may suggest evidence of ecological fallacy or benefit capitalization.

While UDAG is a small program compared to many other recent federal geographic targeting initiatives, it is indicative of a number of current trends in federal policies toward local jurisdictions; that is, targeting distressed places through the reliance on discretionary funding and capital subsidies to promote private investment with the hope of enhancing