

Fiscal Crisis in the City

In concluding this section on the housing and income crises of the city of Philadelphia, it is worth making some brief comments on the fiscal troubles of the city of Philadelphia, and the influence of fiscal problems on the city's ability to respond to crises like homelessness. Reflecting the declining population, loss of jobs, and diminishing income of city residents, and the compounding effects of high concentrations of poverty, the people of the city of Philadelphia are in demand of more city services at a time when the city's tax base is shrinking, and when the city can least afford to provide those necessary services.

The Philadelphia metropolitan area displays great variation among localities with regard to levels of taxation, receipt of intergovernmental aid, and the provision of public services. Public sector spending, and the amount of intergovernmental aid that localities receive, are most influenced by population characteristics, such as population density, per capita income and poverty rates. Since Philadelphia has the highest rate of poverty, the lowest per capital income, and the highest population in the region, it has the greatest demand for services, and the greatest difficulty in supporting necessary services. Moreover, the city of Philadelphia has great difficulty in raising revenue, because it has the fastest declining tax base in the region due to long-term trends in suburbanization and deindustrialization. Consequently, Philadelphia is also the region's biggest beneficiary of state and federal aid. However, declining federal aid in the 1980's, particularly in housing, health and human services, and environmental protection, declines that have not been compensated by state or local revenues, have forced the city to restrain vital services. Moreover, significant distances among the metropolitan counties in available resources, in the requirements of government administration, and in the demand for services, have resulted in inequities among the counties with respect to the provision and quality of basic services such as education.

The technical arguments surrounding the city of Philadelphia's revenue difficulties cannot be fully considered here. However, a study by Luce and Summers (1987) and the housing study by Dolbeare (1988) are helpful in establishing some of the major sources and effects of the city's fiscal circumstances, particularly those related to housing and homelessness, and are used here as a guide for understanding some of the dimensions of the city's problems.

First, of course, the city is suffering a declining tax base. Population and job losses in the Philadelphia region have reduced people's ability to pay taxes, particularly real estate taxes, and the city has not significantly turned to increases in property taxes since an increase might lead to more abandonment, discourage in-migration, and further worsen the city's overall financial situation. Secondly, the city has suffered declines in the amount of federal aid which it receives, a major source of housing support. Federal dollars for housing are primarily made through the Community Development Block Grant program (CDBG), which gives localities money based a need formula, some of which is earmarked for entitlement programs, and others that can be spent on housing needs at the discretion of localities. By far, the majority of CDBG money goes for housing, at least 60% of its total budget (Dolbeare, 1987). However, as Table 11 shows, CDBG grants have fallen precipitously in the last seven years, due to the budget cuts of the Reagan era, and the impact of Philadelphia's declining population on its formula allocation. "Between 1982 and 1987, Philadelphia's grants dropped by 28%, from \$72 million to \$52 million. In constant 1987 dollars, there has been a 38% drop; Philadelphia's 1987 grant was \$33 million less than in 1982" (Dolbeare, 1988; p.61).

Insert Table 11 about here

Other Federal revenues that have been cut are also crucial for housing, though they may not be directly targeted for housing development. The allowance for Aid to Families with Dependent Children (AFDC), for example, is spent primarily on housing expenses, and viewed as such, constitutes the single largest housing subsidy in the city of Philadelphia (Dolbeare, 1988). It should be noted, however, that monthly AFDC grants are below even HUD's current "Fair Market Rents for Philadelphia" (Dolbeare, 1988).

Federal funds for health and income maintenance programs like AFDC, GA, Medicaid, and SSI (Supplemental Security Income), provided through the US Department of Health and Human Services (HHS), have also suffered the effects of budget cuts in the 1980's.

Philadelphia went from receiving \$619.5 million dollars from HHS in 1980, to \$560.4 million in 1984, a drop of nearly \$60 million.⁶

Luce and Summers (1987) also compared the city of Philadelphia to other large US cities, and identified some of the other contributing factors to the city's pressing fiscal situation. First, the authors find that, relative to other cities, Philadelphia spends more money on administration costs per resident than the majority of the other cities. Inman et al. (1987) also found that Philadelphia's administration costs per resident nearly doubled in constant dollars between 1967 and 1985, suggesting that city government has grown top-heavy. Secondly, Luce and Summers (1987) found that among the 14 comparison cities, the tax burden on Philadelphia residents was ranked sixth. But on a progressivity-regressivity index, Philadelphia registered the *most* regressive tax policies of the comparison sample of large cities, meaning that families of lower and moderate means in Philadelphia have been disproportionately sharing their burden of taxation relative to families of higher incomes in Philadelphia and other large cities.

Inman, et al. (1987) also found that some of Philadelphia's financial problems are attributable to increased debt-financing used to pay for city services, especially debt resulting from pensions for public employees, where the resources available do not cover the city's obligation to pension payments for former city workers. Philadelphia has increased its debt burden on future residents by \$83 per capita since 1966, and has been forced to pay more for the servicing of its debts as a result of rising interest rates.

The most controversial component of Philadelphia's response to its fiscal situation, has been its increasing reliance on the "wage tax" for supporting revenues. Based on figures for 1985 compiled by Luce and Summer's (1987), one can see that Philadelphia's local revenue-raising is dependent on a mix of sources, but most importantly on its wage and income tax. Revenue sources in 1985 broke down as follows: real estate taxes (13%), the city's wage tax (44.0%), "other taxes" (9.8%), "other-own source" (7.3%), State aid (12.8%) and Federal aid (9.6%). Unlike most other communities in Pennsylvania, Philadelphia has the authority to tax all income earned in the city, by both city and non-city residents, and Philadelphia has relied on increases in the wage tax as the primary means of guiding itself through its fiscal difficulties. Increases in the wage tax have been suggested as consistent with the city's politically appealing policy of "tax the other guy," (Luce and Summers, 1987), meaning that the city has focused on raising revenues through increased levies on people who do not reside, or vote in the city, but who use its services, visit, or commute to work there. Inman, et al. (1987), in a study of revenue and spending in the city, recently concluded, in agreement with numerous newspaper articles on the topic, that the city's wage tax has had a deterrent effect on the establishment of new businesses in the region, and that Philadelphia may have lost nearly 100,000 jobs in the last two decades as a result of businesses choosing to locate outside of the city, in part to avoid the wage tax. Such facts highlight the contradictions posed by the political boundaries that separate the city's

future and well-being from that of the suburbs. As separate political entities, competition between the areas for resources and lower taxes creates problems for those historically on the down-side of regional development trends.

As might be expected from these hard times, very few budget items for services in the city of Philadelphia have enjoyed substantial increases in public expenditures, and more recently there have been deep cuts. But the few areas that have been growing in appropriations are telling of the growing crisis in Philadelphia. Besides substantial increases for police and sanitation, which the city-in-crisis will increasingly need, there has been a rapid increase in the amount of money paid for emergency shelter for the homeless. The city's budget for paying for nightly shelter for the homeless has gone from \$11 million in 1985 to \$31 million in 1988 - an increase of 174% from 1985 to 1988 - a statistic, like the increases in police and sanitation, that is more of a sign of the city's failure to manage its crises than a sign of its success.

Quite obviously then, not only does the city suffer the neglect forced on it by the uneven impact of suburbanization, deindustrialization, and decentralization, but it has the least resources to prepare its youth for the changing economy, and for the necessary services that its impoverished population requires. Compounding these problems from the region's history, budget cuts from the Federal government, and a deteriorating tax base have left the city in dire social and economic straits. Therefore, it appears that maintaining separate taxation and revenue systems within the political boundaries which divide the suburbs and the city, obviously works to the advantage of suburban residents and to the disadvantage of city residents. In fact, the maintenance and reinforcement of those boundaries only serves to continue the isolation and deprivation being forced on the city's poor and minority residents, institutionalizing further the painful economic and racial segregation of the region. Moreover, since the city's well-being depends more

heavily on State and Federal aid than does the suburbs, Philadelphia disproportionately suffers the impact of political change in Washington, D.C., and Harrisburg, as in the cases of President Ronald Reagan and Governor Richard Thornburgh, who embodied conservative ideologies that may have served the perceived self-interest of the suburbs, but who eventually worked toward the demise of urban areas, and, one could add, metropolitan areas as a whole.

Trends in Household Formation: Signs of Residential Instability

The final section of this chapter on the historical, social and economic contexts of homelessness in the city of Philadelphia, will look more closely at how the broader historical forces considered thus far have been mediated in the patterns of household formation, and delayed household formation, among the "homed" population. (Since data in this area specifically for Philadelphia is not yet available, studies using national data will have to be substituted.) As has been shown, both the demographic profile of the Philadelphia homeless population, and broader social and economic changes in the Philadelphia region, suggest that the effects of the housing and income crisis in the city have been concentrated among blacks, young adults, low-waged workers and people who rely on government benefit programs. As far as a structural analysis is concerned, the changing situation of households is one missing link in the chain between the larger historical and social forces discussed thus far and homelessness. Remember that this chapter has attempted, however inadequately, to connect the national trends in residential and industrial development, to regional changes in the Philadelphia area disproportionately affecting the suburbs and the city, to the housing and income crises of the city, and finally, to homelessness. Before people become homeless, it should be remembered that they were "homed," however crowded, inadequate or unstable that home might have been. Therefore the make-up of households, the basic unit that ultimately mediates the experience of larger social and economic pressures to individuals, is the

final piece that will be considered in this chapter on the social and economic contexts of homelessness. Whether in a family or in another household group, income and housing pressures are usually experienced by individuals in a communal context, usually the family, and it is typically within that setting that the debilitating effects of economic change get played out in their most dramatic and tragic form.

Perhaps the best and most widely known study that has established a link between broader social and economic change, and patterns of household formation, has been the work of William J. Wilson (1987). Wilson has found that despite the vast amount of attention in the poverty literature for the last twenty years devoted to the study of the relationship between welfare reciprocity and the growth of female-headed households, research has largely ignored the role of black male unemployment and the shrinking pool of "marriageable" black men in influencing the growth of female-headed households. Wilson has very carefully documented that increases in mortality rates, incarceration rates and unemployment among black men, have combined to limit the number of black men who are employed, and hence "marriageable," beginning in the 1960's, and increasing precipitously through the 1970's and 1980's. Such a trend, either in declining "marriageable men," or in a similar degree of rising single-parenthood among whites, is not observable. To verify that the decreases in the "marriageable" index have a valid relationship to the growth of single-parenthood among black women, Wilson examines these trends by region in the United States, and finds that, indeed, those regions with the biggest decline in "marriageable" men, had proportionate increases in single parenthood among women (see Table 12). It appears from Wilson's calculations that for each percentage decline in "marriageable" black men, that there is a nearly equal growth in the proportion of women heading families. Wilson, et al. (1987) conclude from their study:

We conclude, therefore, that the problem of joblessness should be a top-priority

item in any public policy discussion focusing on enhancing the status of families. Unfortunately, in recent years, joblessness has received very little attention among policymakers concerned about the plight of families in the United States...(Welfare policy discussions) need to...include a more comprehensive reform program designed to create a tight labor market that enhances the employment opportunities of both poor men and women. Such an undertaking will, we believe, do far more in the long run to enhance the stability and reduce the welfare dependency of low-income black families than will cutting the vital provisions of the welfare state (p. 106).

While not wanting to advocate for a social policy that would tie women or force women to depend on men, nor a policy that would structure men's attachment to women, Wilson has made a strong connection between the disintegration of the two-parent family and male joblessness. As a result of macroeconomic changes that have favored the suburbanization of jobs and income outside the city, to the benefit of non-city residents, the urban population, and in particular the black population, has suffered the increasing inability to establish independent households.

Insert Table 12 about here

Forced through unemployment and underemployment, and increasing housing costs to forestall the formation of independent households, where has this generation of young black men and women gone? Hopper and Hamberg (1986) report:

Despite the 1983 increase in new construction and the larger numbers of people in the prime homebuying ages of twenty-five to forty-four, only 833,000 households were formed in that year, nearly half of which ended up as renters (US Bureau of the Census, 1984). In a reversal of the postwar trend, doubling up also began to

increase. The number of families living with others as "subfamilies" doubled, from a low of 1.3 million in 1978 to 2.6 million in 1983. Similarly, the number of unrelated individuals living with others went from 23.4 million in 1978 to 28.1 million in 1983 (Schechter, 1984). Young singles are increasingly compelled to live with parents or to pool resources with others in like circumstances in order to afford housing. Their plight is, however, far less serious than that of low-income families forced together in overcrowded quarters in what is essentially a form of borderline homelessness. The New York City Housing Authority has estimated that 1 out of every 10 households officially living in public housing projects is doubled up (*New York Times*, Apr. 21, 1983) (Hopper & Hamber, 1986; p. 29).

The phenomenon of delayed household formation is not just a problem for black or low-income households, but has increasingly become a middle-class phenomenon as well. Increasing numbers of young adults are continuing to live with parents because of their inability to move into the housing market. But this problem is especially intense and has quite a different character when comparing middle-class families and their employed adult children, and families that are poor with unemployed adult children. The situation represents a serious predisposition for homelessness for those families who are in poverty, and for whom the presence of adult children is a potential stressor on the family's social and economic survival, particularly adult children who can't contribute to household expenses due to disability, unemployment or cuts in General Assistance. Rossi (1988) reports that in Chicago, in 1970, 39% of both black men and white men between the ages of 18 and 29 lived with their parents. But in 1984, 54% of black men in that age group lived with their parents and 41% of white men did. It appears that at least among the "homed" population, especially the young adult and black "homed" population, that new households among young adults are either not being formed, or their formation is being deferred.

The fact of changing patterns of household formation, especially those suggesting a delay or thwarting of independent household formation among those with low-incomes, is an important piece for understanding the development of homelessness this decade, and the different demographic profile that it presents. The constraints of being an adult child living with one's parents, for example, and facing the indignities of not being able to contribute financially to that household, and the problems that that might pose for one's freedom of movement or choice, is most certainly going to mean that disruptions will occur or that people might resist and leave those situations. Some of those people might eventually become homeless as a result. If anything, it is at least apparent that the larger social forces that have created the housing and income crises of the city, ultimately have their effects realized in the formation or failed formation of households, where the drama of restricted choices probably has its most tragic consequences, as the pressures of poverty and instability are mediated in one's relationships with friends, partners and family. Such complex and highly personal situations undoubtedly make it difficult for people to see the larger social, economic, and political forces that have created the subjugations of homelessness, though that will be explored as part of this study. But it should be recognized that individuals mediate the problems of our social order, and that they usually do so in the context of relationships with people with whom they are very familiar, and especially with those whom they share their housing space. For this reason, homelessness, besides being a phenomenon rooted in the historical, social and economic patterns of privilege and poverty, is also rooted in the household organization and the deeply personal contexts of homeless peoples' lives.

Conclusion

The homeless of Philadelphia, reflecting national trends, are increasingly young adults, minorities, especially blacks, and include among their increasing numbers many

women and children. These "other yuppies" - the young, urban poor - are quite distinct from the membership of "skid row" in many ways. Besides their youth and racial composition, the homeless of the 1980's are more shelter-deprived, living primarily in shelters and on the streets, and less likely to make a "career" of being homeless. Lacking comparable data on homelessness from other cities, and measures of social and economic change by region, a systematic assessment of relationships between socioeconomic factors and homeless populations in the United States was not attempted in this chapter.

However, the demographic profile of Philadelphia's homeless, and its significant departure from the homeless populations of previous decades, was used as a starting point for asking questions about changes in housing and income in the Philadelphia metropolitan area, that might reveal why blacks, young singles, families and women, have come to dominate the ranks of the homeless. Such a "social history" was attempted to provide the relevant context for understanding the study that follows on how individuals become homeless in the more immediate context of family, work and social relations.

This chapter, therefore, engaged in a review of the historical developments and economic shifts that have occurred alongside the growing impoverishment of the city of Philadelphia, its deteriorating housing stock, and its rising mismatch between housing needs and income resources. The stage for the urban crisis was initially set in post-Depression, post-World War II Philadelphia, when government and the private sector joined forces to create a massive boom in suburban development, leaving behind in the central city region higher concentrations of poverty and racially segregated residential communities. Linking the suburbs to the city was an expanded, and federally subsidized transportation network of highways, which ultimately enabled the relocation of industry, as jobs in the metropolitan region suburbanized at an even higher rate than did the people. This new American Dream that the suburbs offered its predominantly white

residents, however, was occurring in sharp contrast to changes in the city of Philadelphia, where a substantial in-migration of black Americans inherited the dilapidated housing and deteriorating job market left by suburbanizing whites. As a consequence, the black population of Philadelphia has become increasingly poor, and racial and economic segregation in housing and housing finance has created increasingly high-density poverty areas, where abandonment and decay are daily facts of life. Quite distinct from the white urban population in general, the black urban population is paying higher proportions of their income on housing expenses, and faces a far more severe shortage in affordable housing. The structure of housing finance has further diminished the hopes for any revitalization, as the credit supply for housing has become increasingly vulnerable to rapidly fluctuating interest rates, and other capital-market forces. Combined with historic patterns of mortgage-lending discrimination and cuts in Federal aid for housing, the quality and supply of housing in the city, especially housing affordable to people with low-incomes, has been seriously eroded.

Along with housing pressures, declining income has brought an added dimension to the urban crisis. As a result of deindustrialization, and the geographic dispersal of industries upon which the black population in particular relied for its employment, the city's labor market has been transformed. Once a prominent base for manufacturing, the city is now best characterized as both a center for high-paying occupations in the professional, managerial and technical sectors, which employ mostly white people, and a center for unemployment and low-paying occupations in hotel, restaurant, and health services, which consist of mostly black and Hispanic people. As a result of these losses in jobs and income in the city, and the development of high technology sectors in the suburbs - for which the educational system of the city has not adequately prepared its youth - unemployment for youth, particularly black youth in the city, has grown to astounding proportions. Moreover, increasing numbers of black youth are refusing even

to participate in the local labor market. The fragmented and disorganized job training network of the city has many problems, including its inability to train people for the higher-paying occupations of the city, or to place people in employment with pay significantly higher than they might have achieved without such training. Income problems for the impoverished of the city have been accentuated by restrictions in public assistance benefits, and in eligibility for those benefits, particularly among young, single adults. Fiscal problems in the city resulting from a deteriorating tax base and declining Federal aid only make matters worse, as the city has been forced to restrain vital services, and to spend less money than the suburbs on educating its youth. A telling and notable exception to the many budget cuts in Philadelphia is that the city is spending more money than ever on sheltering homeless people, as demand for shelter has multiplied.

The effect of these dramatic shifts in the metropolitan economy is not merely explainable in numbers, because these shifts are ultimately realized in the intimate spaces of communities and households. Changing patterns of household formation, particularly the delayed or bypassed formation of new households among young adults, especially blacks, has led to a concentration of the risks for residential instability among this group. Consequently, the changed demography of the homeless is partially understood by these shifting patterns of household formation, as people have either adjusted to the changing economy in housing and labor, or rejected the confines of those changes.

In conclusion, the development of the problem of homelessness in Philadelphia in the 1980's should be better understood in this historical, social and economic context. Urban problems, of which homelessness is only one, are not unrelated to wider economic developments, including the prosperity of the suburbs. In fact, the suburbanization of

people and employment has been among the primary forces in shaping the urban crisis. While not fully explored in this chapter, shifts in housing and labor noted in the Philadelphia metropolitan area are also connected to social and economic phenomena beyond the metropolitan area, both national and international in scope. Housing finance has been one local mediator of the growing national and international debt crisis, brought on by massive borrowing by American corporations rushing to sustain short-term profitability in the face of increasing foreign competition. Moreover, national policies that have led to the deregulation of banking have undermined the stability of mortgage-lending through thrift institutions, while favoring the dominance of commercial banks and insurance companies. Deindustrialization has been another manifestation of national and international pressures, as American corporations have increasingly used investment capital to acquire existing companies, or to "conglomerate," rather than to invest in the manufacturing and population infrastructure of the US. Moreover, the exportation of jobs to cheap labor markets in the Third World, has undermined the public treasury and the American workforce, as foreign operating bases provide hideaways from taxes, and take jobs from, and undermine the wages of the American people. Urban problems like homelessness are not usually associated with the internationalization of capital, and indeed, without some of the context provided in this chapter, the suggestion of such a relationship would sound almost absurd. However, it should now be apparent, that the existing literature on homelessness has not illuminated many of the complex sources of the inequalities that have concentrated in homelessness, and that a far more rigorous historical perspective is required if society is to deal with the urban crisis generally, and in particular problems such as homelessness. Now, given this context, the following study of how individuals become homeless in the immediate contexts of family, work and social relations can be better understood.