

SURVIVAL ECONOMIES

Black Informality in Chicago





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Equity and Transformation (EAT)

EAT was founded in 2018 by post-incarcerated Black people from Chicago, in an effort to uplift the voices and power of Black informal workers in the US. The informal economy is the diversified set of economic activities, enterprises, jobs, and workers that are not regulated or protected by the state. The mission of EAT is to build social and economic equity for Black workers engaged in the informal economy. To achieve our mission EAT builds comprehensive campaigns (base building, research, advocacy, policy development & communications) with Black informal workers that increase economic equity for historically unemployed Black people and dismantle anti-Black racism.

UIC Center for Urban Economic Development

Since 1978, the Center for Urban Economic Development (CUED) has conducted research on a broad range of issues shaping the trajectories of local and regional economies. CUED's mission is to improve development outcomes and expand economic opportunity, and we strive to achieve our mission in three principal ways. First, the CUED conducts original research on employment, economic restructuring, community development, and public policy. Second, CUED works in partnership with community-based organizations, labor unions, advocacy coalitions, state and local governments, and policy think tanks to devise development strategies. Such strategies require research on

job access, job quality, business strategies and outcomes, the role of public policy, and the impacts of development on neighborhoods. Third, through specially constructed models of technical assistance to project partners, CUED enters into

long-term relationships with organizations to conduct strategic research, to evaluate community and workforce development programs and strategies, and to translate lessons from practice into public policy.



Forward.

By Richard Wallace.

I am the founding executive director of Equity and Transformation (EAT). Our mission is to build social and economic equity for Black informal workers. For years I worked as a labor organizer and watched intervention after intervention fail to reduce the racial wealth gap or the unemployment gap for Black workers in Chicago. Persistent inequality led me to seek answers about how Black people in Chicago were surviving, even in the absence of an essential resource—regular, full-time employment. What I found was that Black people face systemic challenges. Their earnings are low. Their work is often criminalized. And as a result the lives of Black informal workers are inherently at risk.

But I also found that Black informal workers are resilient and creative, and they have constructed an informal economy to acquire a means of subsistence. They have made lemonade out of lemons and are light years ahead of what policymakers define as alternatives to formal employment.

I knew there would be pushback for devel-

oping and intervention for Black informal workers because this isn't traditional labor organizing. In fact, to date, **EAT is the only organization in the US that focuses on Black informality.** This is alarming considering the fact that nationwide Black people have an unemployment rate more than double that of their white counterparts. If Black workers cannot gain access to formal employment, yet they *must* operate in a system that requires money to acquire food, water and shelter, then there must be an alternative system of survival. Whether it is anti-Black racism, social stigma or a misconception of true worker solidarity, the broader labor movement has ignored the struggles and activism of Black informal workers who earn their living in these survival economies.

The basis for this research report stemmed from a need to better understand what unemployed Black people are doing to survive. This question leads us to try to better understand informality and the survival economies that have been created in cities like Chicago. There is a broad understand-

ing of what formally employed workers will need in times of crisis, but there is little or no information about what Black informal workers require. **EAT's mission is to not only understand the scope of the problem, but to develop tools to break down barriers of accessibility, now and for future generations.**

In closing, I would love to live in a world where all people had equal access to labor and economy, but we are not there in the US, and it's painfully evident in every employment and economics statistic that is reported. Until that happens, work must be done to understand the current conditions of unemployed Black people and to move that understanding toward a more just and equitable future.



"Black informal workers are resilient and creative,... They have made lemonade out of lemons and are light years ahead of what policymakers define as alternatives to formal employment"



Chicago, divided and unequal.

Long before the coronavirus outbreak shuttered businesses and locked down much of the US economy, and before the vulnerabilities within the economic system were laid bare by the pandemic, countless Chicagoans were living on the edge.

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Reliance on low-wage jobs has deepened in recent decades, which is why the media and policymakers remind us so often that many households are “one paycheck away” from devastating financial hardship. Some, though, do not even have that paycheck. They are earning a living in the informal economy, or through temporary jobs, or as gig workers. Even during boom times, vast survival economies support an untold number of Chicagoans. During economic downturns, however, the number of households relying on nonstandard work becomes inconceivable.

In December 2019, the official unemployment rate in the Chicago metropolitan area fell to just 2.8 percent, declining from 12.1 percent over the course of a decade.¹ But this impressive statistic masked a second trend: persistently high unemployment among African Americans.

Illinois had the highest Black unemployment rate in the nation.² The Chicago metropolitan area was one of the most unequal in terms of Black-White rates of unemployment,³ and levels of African-American unemployment in the region had changed little during what until then had been the longest economic expansion in US history. In fact, between 2010 and 2017, “black unemployment fell just .4 percent to 17.2 percent, by far the highest among racial and ethnic groups.”⁴ To make matters worse, official unemployment figures had been undercounting the extent of joblessness because they fail to capture discouraged workers who have given up applying for jobs. Well before COVID-19 infections soared, it was no exaggeration to say that many predominantly Black neighborhoods across the Chicago area were in the grips of a several decades-long unemployment crisis.

Stubbornly high unemployment rates, especially in South Side and West Side communities, have pushed many Chicagoans into the informal economy.

Living in neighborhoods that have been hollowed out by deindustrialization, inadequate investment, and economic development programs delivering too few jobs and business opportunities, many residents have turned to the informal economy to make ends meet. Working “off the books” as street vendors, child-care providers, auto mechanics, movers, and range of other activities, including participating in the drug trade, growing numbers of African Americans who are

unable to find standard employment are relying the city’s burgeoning survival economies.

Despite the prevalence of economic informality in Chicago, there has not been a systematic analysis of this phenomenon. This report seeks to remedy the absence of actionable information by researching the relationship between unemployment and informality. To better understand how economic informality functions as a survival strategy, Equity and Transformation (EAT) collaborated with the UIC Center for Urban Economic Development (CUED) to survey participants in the informal economy on Chicago’s West Side. In total, 56 surveys, 35 men and 21 women, were conducted on a single day in August 2019. Survey data were supplemented by in-depth interviews conducted in January 2020 with ten Chicagoans who are actively participating in the informal economy.



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Survival economics.

2021



For years, a large, unsanctioned, open-air market has operated on Chicago's West Side. An array of goods and services—both licit and illicit—is on offer, seven days a week, every week of the year. Food, clothing, household items, cigarettes, movies and compact discs, street drugs, and various services can be procured right on the sidewalk, often at prices well below those found in commercial businesses.

Informal markets of this sort are often mischaracterized, seen as an aberration, something that is separate and distinct from the regular, formal economy. But on the West Side, and in many other communities across the Chicago region and throughout the US, markets such as this are tightly woven into the fabric of the neighborhood.

Informality, in other words, is part of the “regular” economy of certain neighborhoods, and it is through the growing

number of informal operators that the demand for low-cost goods and services is met. In areas struggling with persistently high unemployment rates, as well as concentrated poverty and other social ills, the informal economy fills two crucial functions: it provides employment and income for residents while also meeting consumer demand.

For those engaged in the informal economy, the breadth of activities undertaken just before Illinois issued coronavirus stay-at-home orders reveals the scope of Chicago's survival economies. Most survey respondents were engaged in multiple so-called “hustles”—income-generating activities pursued in the absence of stable employment. The most common activities were: house-cleaning (36%), selling loose cigarettes (34%), working as a handyman (25%), working as a barber or hairstylist (25%), babysitting (23%), selling clothing (23%), and washing cars (23%). Somewhat less common activities included: taking care of the elderly (21%), yard work (21%), selling CDs and DVDs (19%), working as a street performer or DJ (19%), selling food (18%), selling personal-care items (18%), recycling (18%), and working construction (14%). Less common activities included: working as a mover (12%), shining shoes (11%), selling soda and water (9%), selling incense (7%), working as an artist (7%), and working as an automobile mechanic (5%).

2021

● Survival Economies: Black Informality in Chicago

Survival economics.

When asked which activities they had engaged in *during the previous year*, respondents identified a similar list of informal jobs. The most common were: house-cleaning (52%), selling loose cigarettes (38%), washing cars (35%), doing yard work (35%), taking care of the elderly (34%), working as a handyman (34%), babysitting (32%), selling food (30%), working as a mover (30%), and selling personal-care items (30%). In addition, 27 percent of respondents had engaged in the following activities during the past year: selling CDs and DVDs, recycling, and selling clothing.

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Opportunities to earn income through informal employment can arise through a variety of social connections, including relying on one's network of friends and family.

Cynthia

For example, Cynthia operates an informal daycare service out of her apartment. Her clients are parents who work the late shift in area factories and warehouses, and on weekends she takes in children from 7am to 11pm. During weekdays, in addition to her college studies, Cynthia works a regular job as a daycare teachers' assistant from 7am until noon. This is where she met most of her clients, and on many

weekdays she also will take care of their children in the evenings while parents are at work.

Like many participants of the informal economy, Cynthia has engaged in multiple activities. "There wasn't much available," after high school, so her first job following graduation was as a hairstylist. She also ran this business from her South Side apartment, despite the fact that doing so was grounds for eviction. Her customers were friends and neighbors, and because she was just starting out she charged just \$40 a head, substantially less than her competitors. After that she sold submarine sandwiches near her apartment, as well as in the Loop. For \$7, customers could buy a sandwich, chips and a soda, and in a good week Cynthia might earn several hundred dollars. She also has tried selling cookies on CTA buses (three for a dollar), candy, and cookies and sandwiches at Red Line and Blue Line train stations. However, Cynthia copes with a chronic health condition, so working outdoors poses serious health risks. That is one reason she has been providing informal, in-home childcare for the past three years.

Others in the informal economy rely on a customer base that is built through interactions with passersby on the street. The sale of loose cigarettes is an example of how an extensive survival economy can develop alongside the mainstream economy.

Walter frequently earns an income by selling cigarettes at a bus stop on Chicago's South Side, a business opportunity that has been created by sizable differences between states in the retail price of cigarettes.

Illinois is one of only two states with an average price per pack of more than \$10.⁵ At an average selling price of \$11.50 per pack, individual cigarettes in Illinois cost 57.5 cents. In the city of Chicago, retail prices at convenience stores may be \$14 to \$15 per pack (70 to 75 cents each), or higher. Cigarette prices in neighboring states, on the other hand, are considerably lower. In Indiana, for example, a pack sells for an average of \$5.97 (30 cents each), while in Missouri it sells for an average of \$5.25 (26 cents each).

Walter

Walter typically purchases "bootleg" cigarettes from a West Side retailer. These packs are initially purchased in states such as Indiana and Missouri, re-sold to retailers in Chicago, and then re-sold again to street vendors such as Walter. "When you are selling cigarettes you never sell the whole pack because your profit

won't be that much—you try to sell them loose." By purchasing packs for \$8 and then re-selling individual cigarettes for 50 cents, Walter is able to earn 10 cents per cigarette sold, or \$2 per pack. Occasionally, cigarettes that have been purchased on the Internet become available. Although the quality of "Internet cigarettes" is poor (some cigarettes burn too quickly, while others just stop burning), the price is right. At \$6 per pack, selling loose Internet cigarettes generates twice as much income (20 cents each, or \$4 per pack), "but they don't have a lot of them and when they're gone, they're gone."

Demand for loose cigarettes is strong, owing both to their addictive properties and to the high cost of packs sold by conventional retailers. "I'd get up at six in the morning every day and I'd see people going to work. I was like a regular to them," Walter explains. He would sell to his regulars at the bus stop regardless of whether it was cold, snowing, or raining. Many customers are unable to afford the full retail price of a pack of cigarettes, so they satisfy their craving by purchasing a few "loosies" for a dollar or two, about a quarter less than store-bought cigarettes. Demand is high but so is the competition. His regular spot is at the intersection of two bus routes but he couldn't even wander "a block down because there is another guy over there. Same if I go in the other direction." If Walter works all day selling cigarettes, he can earn \$20 to \$30.

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Gwendolyn

Gwendolyn has been selling cigarettes and lighters out of her apartment for 10 years, operating her specialty store daily from 7am to 9pm. She lives in a building where there are many seniors and elderly residents, and her customers appreciate the convenience of not having to venture out, especially in winter months, in order to purchase cigarettes. Gwendolyn started with Internet cigarettes, but many customers complained about the taste. She then started driving to Bensonville, Illinois to purchase bootleg cigarettes from Missouri, but these too weren't always popular with her customers. Now she makes weekly trips to Indiana to purchase five cartons. She had been selling loose cigarettes for 50 cents each. However, following a recent Illinois tax increase, she now sells them for 75 cents, or an entire pack for \$9. If she sells all five cartons (200 cigarettes), Gwendolyn will earn approximately \$90 above the initial purchase price.

Like Walter, Gwendolyn notes that the market for loose cigarette sales is competitive. "Everybody is trying to do the same thing," she remarks, but because she is selling indoors, "at least I don't have to hassle with the police." Re-selling cigarettes that have been purchased in other states can be against the law. The Illinois Department of Revenue warns, "It is illegal to purchase cigarettes outside of Illinois for personal use or for use by friends, neighbors, or coworkers without paying Illinois Cigarette Use Tax" and that, in addition to a \$20 per

pack fine for possession of between nine and 100 packs, violators could be subject to criminal prosecution for the possession, sale, and/or transport of unstamped (un-taxed) cigarettes.⁶

As is the case with other informal markets for re-sold goods, this survival economy operates outside of state laws and municipal regulations, and is subject to penalties (the City of Chicago's fine for the sale of unstamped cigarettes ranges from \$2,000 to \$10,000) as well as criminal prosecution.⁷

Gwendolyn has dabbled in other sales as well. She sometimes sells cans of soda to her cigarette customers, though residents of several other apartments in the building run clandestine businesses selling soda and snacks. She also sold bootleg DVDs, before streaming services like Netflix drastically shrunk the market. Gwendolyn would purchase illicit copies of blockbuster movies along with a pack of blank discs. Using a copying machine she would make duplicates, which in turn were sold for \$2 or \$3, or perhaps three for \$5, yielding a profit of approximately \$1.50 per copy.

Barbara

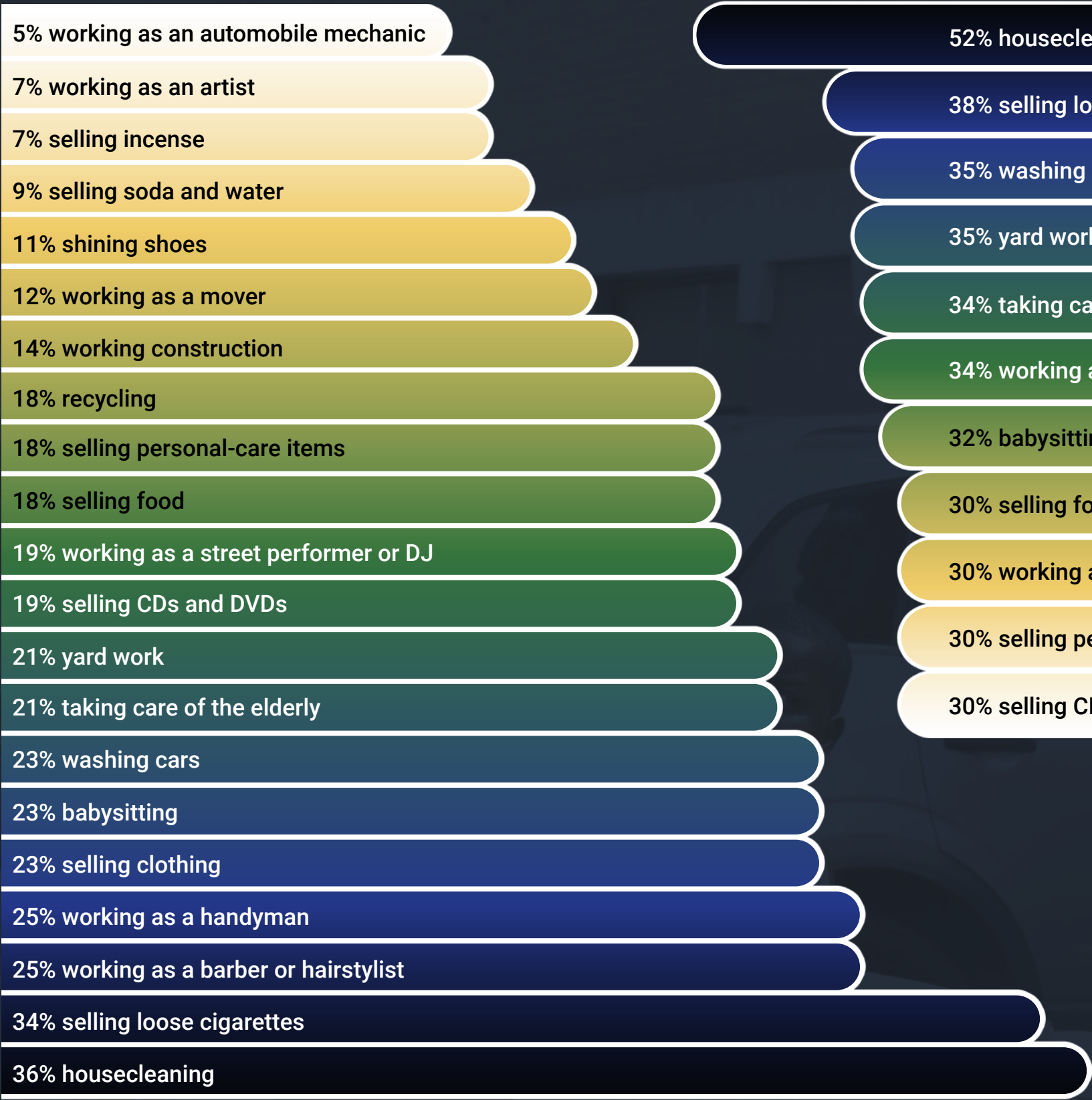
Barbara also used to sell bootleg DVDs. She would purchase the original copy for just 50 cents from a vendor selling movies out of his truck, and then make duplicates that would be sold for \$2. But with the expansion of streaming services, new opportunities had to be found. She tried reselling hand towels that were purchased in bulk from an outlet on the Near South Side. Buying six towels for \$5 and reselling one for \$2.50 would turn a profit of \$1.67 for each towel sold. But the volume of sales simply was too low. For the last two years she has been making bulk purchases of a variety of candies, along with plastic bags for individual sales. She purchases the candy at a suburban mall, as well as from some specialty stores on Chicago's West Side. She buys the plastic bags from a store on State Street. The bulk candies are then mixed, 10 pieces in each bag, and sold for \$1. Barbara sells her candy in several large buildings where white-collar workers form her customer base. "They call me the Candy Lady," she explains, and although "you have to be discreet," business is good. She sells candy all day, three or four days a week.

On a good day she clears \$80, while on a bad day she earns just \$30. On average she can expect to take in \$40 to \$50 per day. With weekly product costs of \$70, her first two days of sales can cover those costs plus \$10 to \$30 in income. Her third day of sales then could be expected to generate an additional \$30 to \$50 in income, yielding weekly earnings of between \$40 and \$80, or more if a fourth day is worked in a week.

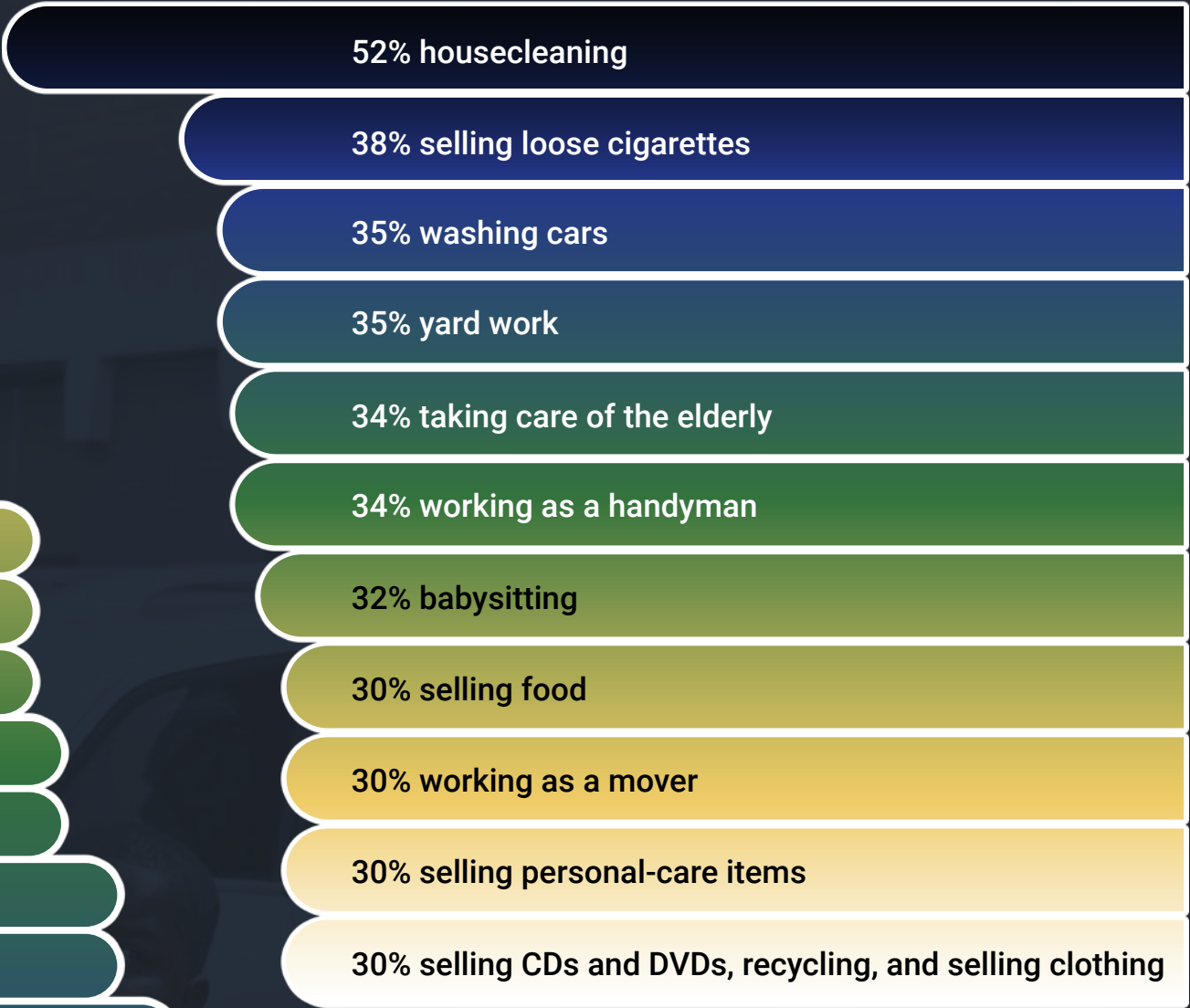
These earnings are low, but her options are few. Now approaching her 59th birthday, Barbara remarked ruefully, "Who's going to hire me? It is hard out here."

Multiple "hustles".

Most survey respondents were engaged in multiple so-called "hustles"—income generating activities pursued in the absence of stable employment. The most common activities were:



"Hustles" Previous Year:



Chicago, the City that ~~Works~~ Survives.

Since at least the early 1980s, patterns of employment change in the Chicago metropolitan area have been characterized by polarized growth, geographically uneven development, and widening inequalities.

Through a series of recessions and recoveries, which saw deep job losses in manufacturing industries and the rise of a sprawling service sector, the region's economy has been transformed, to the detriment of many jobseekers. Racial polarization is evident in a range of economic indicators, including stark disparities in regional unemployment rates. Scarborough, Arenas, and Lewis note that "black unemployment has always been two to three times as much as white unemployment, even in the best of times ... [though from] 1990 through 2016, unemployment rates for black residents were around four times as high as unemployment rates among whites in Chicago."⁸ Racial disparities in rates of joblessness are even greater for youth.⁹

The problems residents face do not end once they find a job. The wage distribution of newly created jobs in the Chicago area since the 1980s has been U-shaped, with substantial gains in low-wage and

high-wage jobs occurring alongside the stagnation of middle-wage jobs.¹⁰ However, growth in so-called "entry-level jobs" at the bottom of the wage distribution has not been accompanied by increases in the wages of the lowest-paid workers.

To the contrary, in the 20 years following the end of the 1983 recession, workers in the bottom 25th percentile saw their inflation-adjusted wages decline, a problem that was even worse for those in the bottom 10th percentile.

As a result, according to Doussard, Peck and Theodore, "even though low-end, entry-level jobs have been one of the primary sources of employment growth during the previous quarter century, this 'rising tide'



singularly failed to lift wages. To the contrary, a swelling population of workers—disproportionately, workers of color—has become 'trapped' in the increasingly crowded zone at the bottom of the labor market, where the terms of employment have deteriorated significantly. Nowhere have these changes been experienced with greater intensity than among Chicago's African-American population. [...] The unemployment rate of less well-educated African-American men, in particular, has fallen precipitously in central cities—and more sharply in Chicago than almost anywhere else in the country—in the period since the 1980s..., as an entire demographic group has been 'left be-

hind' by a restructuring labor market."¹¹

It might be more accurate to say that entire *neighborhoods* have been left behind, though given the extreme levels of segregation in the Chicago area race and geography are closely entwined. Scarborough, Arenas, and Lewis write, "Due to the legacy of racial exclusion and disinvestment from black communities in Chicago, the city's black residents have been most impacted when the economy declines and the last to recover during periods of growth."¹² Inadequate access to employment opportunities is one of the most detrimental of these impacts. An indication of the vast disparities in job access, for example, is that transit riders

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living downtown or on the North Side can access as many as 700,000 jobs within a 30-minute commute, while residents living on the far South Side can access just 50,000 jobs.¹³ One of the enduring outcomes of the loss of well-paying manufacturing jobs, many of which had been located in or near Black communities, has been declining employment in neighborhood-serving retail and services industries as consumer spending has declined.¹⁴

Many of those engaged in Chicago’s survival economies face a functional exclusion from jobs in the mainstream economy.

The source of this exclusion varies, and jobseekers’ employment histories are scarred by long-term spells of unemployment, engagement in “off the books” work, patterns of sporadic employment, and the mark of a felony record. Some who are active in the informal economy are coping with significant health problems, while others have disabilities that constrain their employability. Still others have caring responsibilities inside and outside the home.

To assess the employment prospects of participants in the informal economy, survey respondents were asked whether jobs providing a regular paycheck are available to them. Less than one in four (22%) indicated that jobs are available, 30 percent in-

dicated that jobs are somewhat available, but nearly half—48 percent—indicated that jobs are not available, even as the overall unemployment rate declined to historic lows. Furthermore, just 29 percent of respondents reported that in the past year they had worked for a company that paid them a regular paycheck. For many of these respondents, the paycheck was far from secure because they were employed in temporary jobs through day-labor staffing agencies.

Marcus

Marcus grew up in Englewood on Chicago’s South Side. As a teenager he worked for a fast-food restaurant in the neighborhood—a “terrible job”—as well as with a construction company when extra labor was needed. “But the places I wanted to work wouldn’t take me, and I *know* they won’t take me now [because of my felony conviction]. Now the doors are shut—and a lot faster than I thought.

“I’m still amazed to this day ... how [does society] expect me to reform if I’m at a handicap for something that I technically already paid the price for?”

Marcus began applying for jobs immediately after his release from prison. The

ONLY 29% of respondents reported having worked for a company that paid them a regular paycheck.

halfway house charged with assisting his reentry mainly offered referrals to temp agencies, and he was employed by staffing agencies to work temporary jobs in warehouses and on assembly lines. After a while he was able to find a more stable construction job, mainly doing demolition and cleanup, paid off the books and in cash. Marcus earned about \$350 a week for full-time work, which lasted for five months before business slowed and the company no longer needed him. He then learned of an opportunity to work at a liquor store as a security guard. He again was hired off the books, and again for less than \$10 per hour. But the risks simply were too great. As someone with a felony record, he had to be unarmed, and he realized that in working at night at a liquor store he could “wind up hurt—or worse, dead—or maybe locked up trying to deal with an altercation” at the workplace. Ultimately, he concluded, “it wouldn’t be wise to stay.” Marcus reflected on his previous work experience and the job market he encounters:

“Those aren’t what I would consider life-changing opportunities. Those are just keeping my head above water.

“There’s too many just keep your head above water opportunities and not enough life-changing opportunities. That ratio, ultimately, will leave a lot of people in the wind.

“Could you take care of three kids at a job that’s paying you even [as much as] \$13 an hour, but you have rent to pay and you’ve got to feed them...? And, God forbid, any unforeseen, unfortunate circumstances arise—whatever you were building is going to go for that. So now you’re back at square one. That is a combination of failure, and eventually your mind will break. And that’s when you drift, because the only thing that will be going through your head is, ‘how have I been working, and doing this for so long, and I’m exactly where I started?’

“That’s a very angering realization, I would imagine, for anybody. That would be like you running a whole mile—you’ve seen yourself run a whole mile—but then you look down and you’re at the same spot, on the same street as where you started.

● **Survival Economies: Black Informality in Chicago**
“**Chicago, the City that Works Survives**”.

And you say, 'wait a minute, I know I just ran a mile, how is it that I'm exactly where I started?' That's a spirit-crushing realization."

The persistent problem of racial discrimination in the job market further compounds the difficulties faced by Black jobseekers. Wage gaps—differences in hourly wages that are observed after accounting for demographic and employment characteristics—provide a measure of the extent to which discrimination impacts Black workers. When between-group differences are not explained by conventional demographic, labor-market and human-capital factors, remaining differentials are taken to be a measure of discrimination.¹⁵ Scarborough et al. find that in each decade after 1980, Black-White wage gaps in Chicago have widened, growing from less than 5 percent in 1980 to 22 percent in 2016.¹⁶

For workers in Chicago's informal economy, however, statistical tests are not necessary to reveal the damage caused by racial discrimination. Charles engages in a range of informal economic activities, including selling loose cigarettes, working off the books as a janitor and security guard, and regularly searching for day-labor jobs at an informal hiring site outside a Home Depot on the South Side. Standing near the home-improvement store in the early morning hours, Charles competes with Latinx jobseekers, mainly from Mexico and Central America, for work with construction contractors. However, as an African

American in a job market where employers strongly favor Latinx immigrants,¹⁷ he matter-of-factly observes, "you're at the back of the line." Having worked construction for years, Charles has developed a range of skills, including drywall installation. However, he seldom secures jobs at the hiring site because employers "look right past me" as they seek out immigrant workers.

Day laborers

The experiences of African-American and immigrant day laborers reveal how racial bias and discrimination intersect within informal construction labor markets. On the one hand, discriminatory judgments place workers like Charles near the back of hiring queues. Immigrant workers at informal hiring sites are the ones who are privileged, widely regarded as possessing needed skills and a superior work ethic.¹⁸ On the other hand, for immigrant day laborers, their "privileged" position brings its own perils. Although immigrant day laborers are widely acknowledged to be the favored day-labor workforce, they face low wages and extraordinarily high rates of nonpayment for work completed, with employers showing a willingness to exploit workers' perceived or actual status as undocumented immigrants.¹⁹ The interlocking nature of racial bias, economic insecurity, and deportability (for undocumented immigrants) has produced informal labor markets that are distorted by workers' vulnerabilities.

Chicago's temporary staffing industry

Racial bias and overt discrimination are also notoriously widespread in Chicago's temporary staffing industry.²⁰ Here too African American workers often find themselves at the back of the line, passed over by job dispatchers who engage in illegal practices, such as using code words to thinly disguise worksite employers' discriminatory preferences.²¹ Nevertheless, with few alternate routes into regular employment, many African-American jobseekers turn to temporary staffing agencies. Charles, Marcus, and Walter all have sought employment through temp agencies, as has Kevin, another interviewee who earns a living entirely through temporary and informal jobs. Each experienced discrimination, both in agencies' hiring practices and on the shop floor. Each also spoke of the difficulties many temp workers face when trying to secure permanent employment. "Temp to hire is the big thing now," Kevin notes, referencing how staffing agencies and worksite employers seek to ensure continuity of employment with the promise of a permanent job. In this sense, temp work is something of a misnomer, given the regularity with which many employers hire "temporary" workers. After 90 days of consecutive employment permanent positions allegedly await.

However, as Kevin explains, despite the promise that "if you work out, we will hire you" ... "they'll fire you on the eighty-ninth

day...." Still, with few options, even in an otherwise booming economy, jobseekers continue to arrive at staffing agencies every morning with the hope of being dispatched to a worksite. "They don't have much choice," Marcus says, because there simply are not enough employers who will hire these jobseekers.

Within Chicago's predominantly African-American neighborhoods an all too familiar cycle has been established.

High rates of joblessness result in spotty employment histories, which include working temporary jobs or being hired off the books. When the economy enters a downturn, this underemployment too often becomes unemployment, and one's position in the labor market erodes further.

The longer someone is out of work, the more difficult it becomes to reenter the job market, and over time prolonged joblessness can become a de facto exclusion from employment, especially given that pervasive racial discrimination con-

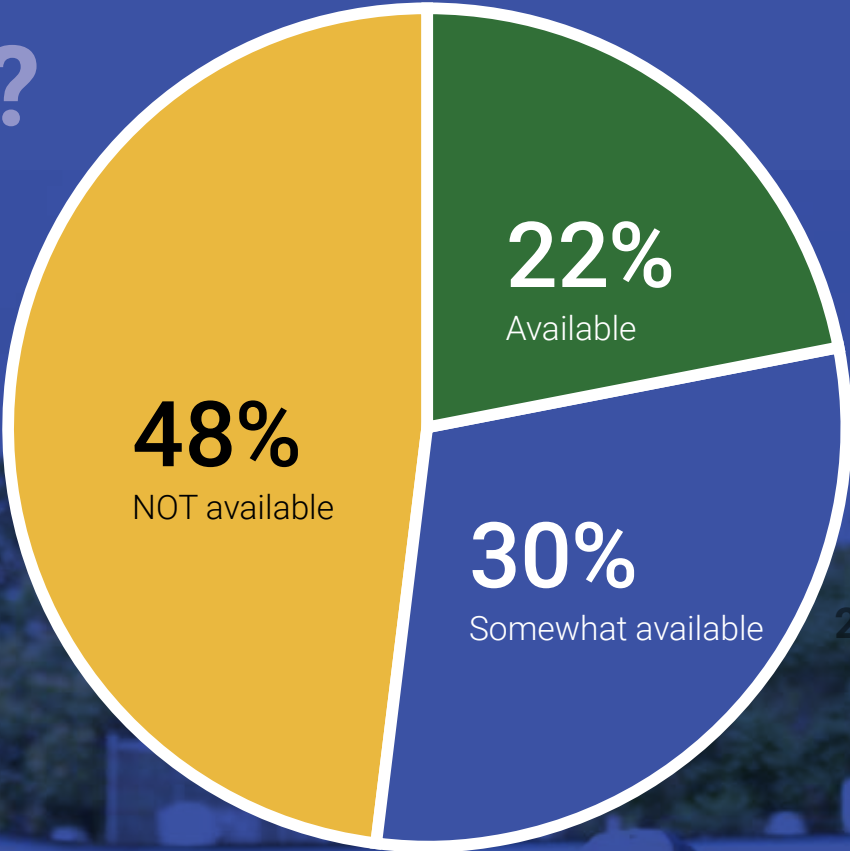
● **Survival Economies: Black Informality in Chicago**
“Chicago, the City that **Works Survives**”.

tinues to impede access to employment opportunities for African Americans.²² It is no secret that some jobseekers eventually turn to illicit activities, such as participation in the drug trade or sex work. Some also lose their housing and then must contend with a host of other challenges. One way or another, many turn to the informal economy. But herein lies the rub. The compulsion to participate in Chicago’s survival economies may, over the long run, inadvertently exacerbate the disadvantages participants face. There is a danger that a lack of a verifiable work history will become an implicit justification for employers to disregard

the informally employed when hiring, in the process obscuring systemic problems of racial discrimination and economic exclusion that continue to pervade the local economy. In such cases, informality becomes the primary survival strategy—the employment of last resort—even though low pay and earnings instability mean that incomes fall well below the poverty line.

Job
Availability?

Survey respondents were asked whether jobs providing a regular paycheck are available to them.



Informality at the nexus of systems failure.

The growth of Chicago's informal economy has occurred in the shadow of the serial failure of public systems, which in turn has deepened social insecurity within predominantly African-American neighborhoods.



Racialized exclusions from the labor market are reflected in persistently high Black unemployment rates and Black-White wealth gaps. Underfunding of public health and mental health systems has left untold numbers of Chicagoans without the care they need.

The rolling back of welfare supports for those at the edge of the labor market, including the long-term unemployed, people with disabilities, and persons with caring responsibilities in the home, has left many without even minimal social protections. Meanwhile, there has been an explosive expansion of the criminal justice system, a perverse penal response to managing social insecurity.

It no longer should come as a surprise that the expansion of carceral responses to insecurity is tightly imbricated with the failure of other social systems. Not only has policing become one of the principal responses to systems failures through, for example, what the Cook County Sheriff's Office has termed the "over-incarceration of people with serious mental illness,"²³ but policing itself contributes to exclusions that many low-income Chicagoans face, as the mark of a criminal record impedes access to livelihood opportunities.²⁴ But this is not the end of the story. Research has conclusively shown that the criminal justice system is having

a disparate impact on African-American communities. That rates of imprisonment are substantially higher for Blacks than other racial groups has been well documented.²⁵ So too has the spatial concentration of what is commonly termed "mass incarceration,"²⁶ in Chicago, as in other major US cities, the geography of arrest and return overwhelmingly centers on low-income, predominantly African-American neighborhoods that have been left behind by a restructuring economy.²⁷ Moreover, these racial and spatial disparities in rates of incarceration continue to reverberate across the job market. For formerly incarcerated African Americans, racial "inequality in employment and earnings persisted even after controlling for education, health, crime, re-incarceration, and a large number of background characteristics," producing patterns of "racialized re-entry" that compound job-search difficulties.²⁸ The result is that many are consigned to eking out a living in Chicago's survival economies.

It is worth remembering that a number of the Chicago neighborhoods hollowed out by the loss of manufacturing facilities are the very same neighborhoods that have witnessed staggering levels of incarceration.

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● Survival Economies: Black Informality in Chicago

Informality at the nexus of systems failure.

In the context of an eroded jobs base and racially disparate access to employment, the criminalization of informal economic activities, such as through bans on street vending in certain areas and the targeted use of anti-loitering ordinances to discourage informal trading, is tantamount to using municipal codes to punish the poor.

African Americans who have been pushed into the informal economy by a dearth of employment opportunities are further penalized by the perception of il-

legality that envelops these activities. In some cases, they face fines and arrest simply for engaging in informal work. It is no wonder that, as interviewees noted, Black jobseekers become demoralized. Experiencing economic insecurity arising from racial discrimination in employment, widespread joblessness, and the criminalization of informal economic activities, they are prone to heightened stress and anxiety. Some fall into drug addiction, giving in to the need to “self-medicate.” Many others develop chronic health conditions that go untreated because of the barriers they face accessing quality healthcare. Despite contending with serious health conditions that further constrain their employability, the unemployed who are fortunate enough to receive some public assistance rarely receive enough to cover their living expenses. Without alternative means of support, they have few options except to improvise a livelihood on the margins of the mainstream economy.



Survival economies as a vast circulatory system.

There is an old adage “it takes money to make money.” And so it is in Chicago’s informal economy.

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The city’s survival economies operate as a vast circulatory system through which income from employment, business activities, public assistance, and other sources moves. This income is transformed multiple times from earnings, to consumer spending, back to earnings, and on to additional consumer spending, in the process supporting both the informally employed and conventional businesses. But to enter the informal economy one must have resources since participants, particularly those who are selling food and other items, incur upfront costs. These costs can be difficult to cover, especially given that two-thirds (67%) of survey respondents reported that in the previous two months they did not earn enough to pay all of their bills.

Maintaining an income from informal work, therefore, requires planning and the use of all available resources. Take, for example, Cynthia, the daycare worker featured at the outset of this report. When she was engaged in sandwich sales she would use her Illinois Link card (used for the elec-

tronic transfer of Supplemental Nutrition Assistance Program (SNAP) benefits, also known as Food Stamps) to purchase bread, meat, chips, and soda. She would then sell sandwiches at a profit, thus earning back the amount spent using the Link card plus more. Strictly speaking, this is not what policymakers intended. But according to interviewees, the practice is common because SNAP benefits represent one of the few forms of financial capital available. We call this “juggling,” Barbara matter-of-factly explains. She too uses Link to support her candy sales, thereby diverting benefits to enable the informal work that modestly increases her income.

If it takes money to make money, as another saying goes, cash is king. Interviewees reported that, because recipients have so little money, some are compelled to sell their Link cards outright for cash. The sale of a Link card is a clear sign of desperation, likely owing to a struggle with addiction or another urgent need. Selling one’s Link card, however, is done at markedly unfav-

orable terms. Selling prices vary, but respondents reported that selling monthly benefits of \$194, for example, typically would yield no more than \$100, though \$90 or even \$70 is not unheard of. This minimal return is a reflection of a market that has been utterly distorted by desperation. With so few financial resources to help one navigate life’s challenges, some recipients resort to using whatever means are available to them, though even this can come at a high price.

Dismissing the described uses of Illinois Link as straightforward examples of “benefits fraud” ignores important aspects of how the poorest Chicagoans struggle to navigate the city’s survival economies.

First, SNAP overwhelmingly is used by recipients to purchase food that they themselves consume. Walter receives around \$190 per month, with the goal of “making it last as long as you can.” Likewise, Cynthia and others have never sold their Link cards. For these recipients, SNAP provides a way to stave off hunger and cope with chronic food insecurity. Second, because welfare benefits are too meager to cover living expenses, even if someone is receiving maximum

monthly SNAP benefits of \$194, a turn to the informal economy is necessary. SNAP benefits levels simply are too low to enable a household to make it through the month. The juggling Barbara referred to—using funds from SNAP that are later recouped by selling food items that have been purchased using Link—provides the working capital needed to keep an informal venture going from month to month. SNAP, therefore, helps alleviate poverty, not only by providing supplemental nutrition assistance but by providing the resources very low-income Chicagoans require to boost their earnings, however minimally, through informal activities. Finally, it must be noted that, nationally, rates of fraudulent use of SNAP benefits are extremely low, at around 1 percent, and the program provides absolutely vital supports to very low-income households across the country.²⁹

Link cards and SNAP benefits are not the only forms of social spending that bolster survival economies. Customers stretch their income from Social Security and Supplemental Security Income (SSI) benefits by making certain purchases from street vendors and other informal businesses. So too do customers who are trying to get by on low-paying jobs. The availability of lower-cost goods and services provided by informal-economy workers, though rarely unacknowledged, is an important way that residents in many Chicago neighborhoods make needed purchases. A closer look at

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● **Survival Economies: Black Informality in Chicago**

Survival economies as a vast circulatory system.

neighborhood economies reveals the telltale signs. Street vendors hawking food and clothing. Hand-painted signs tacked on light poles and fences advertising movers, handymen, and house painters. “You have different guys,” Walter elaborates, “the people who fix cars stand in front of auto parts stores, people who sell cigarettes stand at the bus stops and in front of liquor stores, and you have panhandlers who are in front of grocery stores. It never stops. Everyday, the same routine.”

The circulatory system of the informal economy extends well beyond the neighborhood. Income from informality helps participants pay their rent, insurance, and utilities; it generates spending with supermarkets, convenience stores, and other businesses, such as when food vendors buy items that are later resold; and it supports business activity in other states, such as when cigarettes are purchased outside of Illinois. As goods,

services and money move through the informal economy, this circulatory system makes few distinctions between the licit and the illicit.

Licit goods, such as cigarettes purchased in Indiana become illicit, bootleg goods, when they are transported and sold in Chicago. Licit products, like homemade cookies or sandwiches, become illicit products when they are sold at train stations. And licit services, like auto repair, become illicit if they are conducted on city streets. And what about the use of SNAP benefits to purchase food items that then are sold? This potentially is a crime, though one that arguably has no victim. The funds are used for bulk food purchases, and are recouped through the individual resale of those purchases. In all these cases, buyers and sellers in Chicago’s survival economies are likely aware that lines are being crossed, though most would contend that the line between licit and illicit is often blurred.

67% of respondents reported that in the previous two months they did **not** earn enough to pay **all of their bills**.

“The availability of lower-cost goods and services provided by informal-economy workers, though rarely unacknowledged, is an important way that residents in many Chicago neighborhoods make needed purchases. ”



Conclusion.

It is clear that, for many African Americans, the Chicago economy simply is not working.

The growth of economic informality on Chicago's South and West Sides has occurred at the nexus where poverty, joblessness, economic decline, racial discrimination, and the mark of a criminal record meet and conspire to exclude many from gainful employment, even during times when the regional economy is booming. In the context of persistently high rates of Black unemployment and social systems that not only fail to ameliorate but sometimes actively perpetuate material hardships, an expansion of the informal economy was an entirely predictable outcome. Now, in the wake of the coronavirus pandemic, Chicago and the nation must contend with what is shaping up to be the worst economic downturn in living memory. The reliance on informal work is most certainly set to expand.

Although the informal economy helps residents subsist from week to week, there should be no mistake about the living conditions it enables: **participants cope with persistent poverty and the myriad problems that accompany it.** Despite simultaneously engaging in multiple informal activities, survey respondents reported they and their dependents faced debilitating hardships. Housing insecurity, food inse-

curity, economic insecurity—livelihoods through the informal economy are inherently precarious. According to respondents, although few were able to comfortably make ends meet through informal economic activity, survival economies nevertheless are where various forms of life-sustaining capital circulate within and between low-income neighborhoods. Whether it is loose cigarettes, SNAP benefits, cash, or even one's body, these forms of "capital" support thousands of Chicago households, though at punishingly low levels.

As high unemployment rates continue in the weeks and months following the coronavirus outbreak, Chicago's informal economy will come under increasing strain, its ability to support those newly out of work, severely tested. In time, the numbers of participants—both as buyers of low-cost goods and as sellers—will surely increase as households absorb the financial blow of an economy on lockdown. Other impacts, however, are more immediately recognizable. Media reports have revealed that a disproportionate number of African Americans have succumbed to COVID-19. As medical experts and the general public grapple with ways to understand the



stark racial disparities in deaths during the pandemic, many are pointing to underlying health conditions as a key contributing factor. While there might be legitimate medical reasons for noting the chronic ailments that have contributed to a disproportionate number of African Americans dying from COVID-19, in the societal context within which these premature deaths have occurred, the phrase "underlying conditions" is little more than a euphemism for "poverty." Diseases such as diabetes, cardiac disease, and hypertension are deeply rooted in socioeconomic status, and stressors from housing and employment insecurity, as well as poor diet, are the triggers for many of the COVID-19 comorbidities befalling low-income Chicagoans.

Despite the clear risks of engaging in the informal economy during a pandemic,

work in survival economies continues. Faced with the impossible choice of either continuing to work and risking exposure to a deadly virus or suffering a total loss of income, many reluctantly choose the latter. As with many other decisions, the ability to participate in economic informality or to avoid it altogether is also deeply rooted in socioeconomic status. Long after the coronavirus pandemic subsides, Chicago's survival economies will endure. The question remains:

what will be done to expand economic opportunities and ease the burdens carried by Chicago's lowest-income residents?

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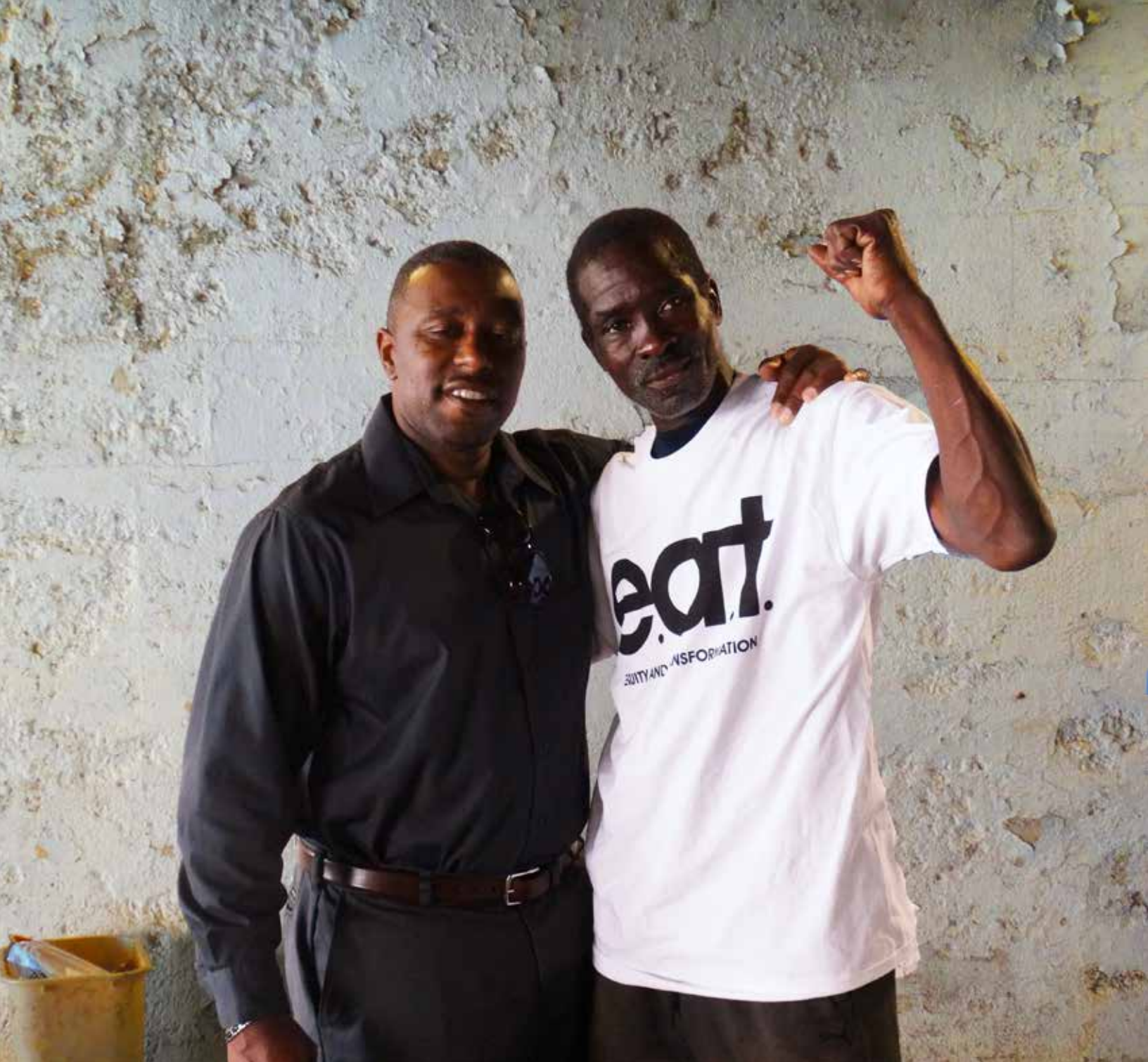
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