

Gambling on Jobs and Welfare in Atlantic City

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In *When Work Disappears*, William Julius Wilson argues that the poverty and welfare dependency that plague many U.S. cities are fundamentally due to a lack of jobs. He advocates a massive public-sector employment program to solve the problem. Wilson also recognizes that cultural and behavioral patterns make many employers reluctant to hire ghetto residents and make it difficult for many ghetto residents to keep their jobs when they are hired. He advocates training and counseling programs to help ghetto residents learn work skills and attitudes. Before beginning any such programs, much can be learned from the experience of Atlantic City, New Jersey. In Atlantic City, the jobs problem was solved within a few years of the November 1976 referendum in which New Jersey voters gave the city a monopoly on casino gambling.

Legalized gambling was a tremendous windfall for a city that had little else to attract potential employers. The casinos demanded no subsidies or tax concessions; indeed, they pay about 70 percent of the local property taxes. Altogether, the casinos have paid \$7 billion in state and local taxes since 1978. In addition, the casinos are required to invest 1.25 percent of their revenues in housing and infrastructure investments in the city, which has so far amounted to about \$435 million.

More important than the taxes and investments, however, are the jobs. The first casino hotel opened in May 1978, and by 1980 there were six casinos employing 16,700 people. By 1990, the casino industry employed 47,700 people. This was a tremendous infusion of jobs into what is actually a rather small labor market. At-

lantic City's population, which had peaked at 66,000 in 1930, was only 48,000 in 1970. By 1990 it had declined to 38,000, which meant that the casinos were actually employing more people than lived in the city.

The casinos enforce affirmative action policies to make sure that minorities and local residents are hired. About 25 percent of casino employees are nonwhite. Many of the jobs require little skill, and the pay is substantially above minimum wage. In the late 1970s and early 1980s, when new casinos were opening one after another, Atlantic City was a boom town where no one who was willing and able to work could claim that no job was available. The casinos recruited workers from all over the country and even in foreign labor markets such as Ireland.

Even this massive job boom failed to break the entrenched poverty of the city's poor neighborhoods. Visitors to the city were struck by the stark contrast between the glittering casino complexes and the adjacent urban blight. The city's poor neighborhoods continued to lose residents, and dozens of small businesses closed.

Census statistics from those decades confirm what visitors saw from the windows of their charter buses. In 1970, 23 percent of Atlantic City residents were in poverty. This increased to 25 percent in 1980, in the midst of the boom, and was still 25 percent in the 1990 census. In 1970, 40 percent of Atlantic City's children lived in female-headed households. By 1990 this increased to 60 percent. Racial polarization has increased. In 1970 the city was 55 percent white and 44 percent black. By 1990 it was 35 percent white and 51 percent black. The elderly population declined from

25 percent in 1970 to 19 percent in 1990, largely due to the loss of housing in casino construction areas.

How could this poverty coexist with a boom in employment? Quite simply, about three-quarters of casino employees live in the many attractive rural, suburban, and seafront communities within easy commuting distance. In 1990, 16,812 Atlantic City residents were employed in the civilian labor force, of whom 10,305 worked in the casinos. Most of these employees, however, lived in the city's middle-class neighborhoods, not in the impoverished census tracts. The ghetto underclass benefited from improved services funded by casino taxes and by United Way contributions from casino employees, but the number of those who succeeded in moving out of poverty altogether was disappointingly small.

Despite the job boom, Atlantic City lost population and became poorer while the suburbs got richer and more populous. In suburban Atlantic County (everything outside the city limits), the population increased from 127,184 in 1970 to 186,341 in 1990. The percentage of persons in poverty declined from 9.5 percent in 1970 to 6.2 percent in 1990. The percentage of children in female-headed households in the suburbs increased moderately from 10.4 percent in 1970 to 16.5 percent in 1990. The suburban population is still predominately white, but the percentage of white residents declined from 92.2 percent in 1970 to 85.1 percent in 1990. The black population in the suburbs increased from 7.4 percent in 1970 to 10.5 percent in 1990, much of it concentrated in the city of Pleasantville, which is immediately inland from Atlantic City.

Although the tremendous infusion of jobs did not end poverty in Atlantic City, some people took comfort in the thought that without the casinos things might have been even worse. Perhaps things might have been as bad as in Camden, an old industrial city across the Delaware River from Philadelphia; in Camden, poverty increased from 21 percent in 1970 to 37 percent in 1990. A fairer comparison, however, is with New Jersey's other depressed seaside resort community, Asbury Park. In 1970, 23 percent of the residents of both Atlantic City and Asbury Park were below the poverty line. In 1990, they were still closely matched, with Asbury Park at 23 percent and Atlantic City at 25 percent. The fact that neither seashore community is as impoverished as Camden is not a great consolation, since every New Jersey city can claim to be less impoverished than Camden.

Atlantic City's casinos did precisely what President Bill Clinton is now urging: They made jobs avail-

able to welfare recipients. They did so at a time when welfare reform was pushing many recipients off the rolls. Reforms under the Reagan administration cut about 1,000 cases from the Atlantic County welfare rolls in 1981 and an additional 400 in 1982, just when the casinos were most desperate for workers. The good news is that this combination of welfare reform and a strong labor market had a powerful impact. Atlantic County's welfare caseload declined from 6,300 in 1980 to 3,500 in 1985.

The Reagan cutbacks affected the whole state, so the effect of the job boom can best be assessed by comparing Atlantic County's welfare caseload to that of the rest of New Jersey. Atlantic County's welfare cases declined from 4.5 percent of the state's caseload in 1980 to 3 percent in 1985. When casino hiring leveled off, however, the county's AFDC (Aid to Families with Dependent Children) rate started to climb again, reaching 3.8 percent of the state's caseload by 1994. Based on Atlantic City's experience, we can suggest that a very strong labor market, with a rapidly growing work force, is likely to cut welfare dependency in its labor market area by about one-third. A strong but stable labor market is likely to cut welfare caseloads by about 15 percent.

These are significant gains, but they do not solve the problem of the urban underclass. Why not? Employers naturally skim the cream off the available labor pool, seeking applicants who are competent, reliable, and well motivated. They hire workers who want to work, not those who are deeply entrenched in a culture of poverty. As Mayor James Whelan observed: "The problems that exist in the culture of poverty are not solved by providing jobs. Casinos do not solve hopelessness, they do not stop kids from dropping out of school, they do not stop kids from getting pregnant." When a tight labor market forces employers to dip lower and lower into the available labor pool, they hire people who have a hard time keeping their jobs. Many casinos enforce a "three strikes and you're out" policy, and employees are often let go for absenteeism and tardiness. When the casinos opened, many of the supervisors were recently hired themselves, with little training in human relations or personnel management. They were sometimes too rigid in enforcing the rules, since that was the one thing they knew how to do. For the casinos, replacing dismissed workers often meant dipping deeper into the pool of poorly prepared applicants.

Atlantic County welfare officials have concluded that as many as a third of the county's welfare recipients have mental or physical health problems that make it very difficult for them to find employment.

Many are addicted to alcohol or other drugs; others are mentally ill. Many are much like the individuals described in Samuel Dash's books *When Children Want Children* and *Rosa Lee*. If they are to succeed in work, they require rehabilitation services beyond what an employer can offer.

Unlike the recent federal reforms, the Reagan welfare cutbacks did not include time limits to force long-term recipients off the welfare rolls. Women who were "truly needy" could be supported indefinitely. Some of these women found that the financial benefits of working were small. As one recipient observed: "You gotta pay your rent, pay for a baby sitter, and pay to get to work, and pay to eat." Many women started work only to find that they could no longer get food stamps or other assistance. One woman claimed that "welfare encourages you to quit your job." Another agreed: "They told me to quit my job, if you quit your job you get full welfare, they don't have a program for working mothers." In the housing projects, rents increase if a woman has an income. One woman remarked: "If you live in the housing project, you're making like three something, you owe them four something at the end of the month."

As it became apparent that just offering jobs was not enough, Atlantic City's leaders instituted training and counseling programs to recruit from the "nontraditional" labor force. In 1987, several casino executives approached state Senator William Gormley for help in getting services that might make more of these workers employable. Gormley organized the "Atlantic City Initiative," which was the county's first attempt at welfare reform. The initiative patched together funding from existing programs to recruit workers and provide them with child care and transportation to work if needed. It succeeded in placing over 450 welfare clients in casino industry jobs, but there is no information on how many remained employed. In 1988, Atlantic County joined a statewide welfare reform plan called REACH, which provided funding for case management and client training, and extended Medicaid and child-care services for a full twelve months following employment. Approximately 1,673 Atlantic County welfare recipients entered the job market as a result of the REACH program, but again there was no systematic evaluation to determine how long they remained employed.

In 1992, REACH was replaced by the Family Development Plan (FDP) advocated by Camden legislator Wayne Bryant. The FDP was best known for the controversial "family cap" provision, which denied an additional cash grant to mothers who conceived a

child while on welfare. More important, however, the FDP focused on counteracting the "culture of poverty" in the thinking and lifestyles of welfare clients. Each client was required to work with a caseworker to develop a family plan. Implementation of these FDP programs was high in Atlantic County, with 60 percent of recipients participating in the full program, as opposed to a state average of 28 percent. Clients received counseling and direction from their caseworkers, who could apply sanctions to clients who did not move into employment. From 1992 to 1996, the FDP was successful in moving over 2,600 Atlantic County welfare recipients into jobs. An extensive statewide evaluation is underway.

The FDP was a step forward, but two significant problems remained unresolved: First, teenage parents were still allowed to live independently instead of being required to live with their parents or guardians and continue in school. Second, although the FDP had provisions designed to encourage welfare mothers to remarry, few services were available for the unmarried fathers of children on welfare. Most women qualify for welfare as single mothers, but they are nevertheless involved in meaningful relationships with the men who father their children. These men often feel threatened and resentful when their girlfriends receive training and get placed in jobs while they remain unemployed. They frequently sabotage their girlfriends' efforts by pressuring them to take time off from work, refusing to help with child care or other chores, or sometimes even by making violent threats.

One man interviewed on the streets of Atlantic City complained that "all the women and children are in the projects, there ain't a man got a place to live." Another commented: "Then you stick all the women and the children up in these buildings that are on welfare and their fathers got nowhere to live, but they got to pay child support. They won't give the man a job, but they'll give his woman a job." Another remarked: "You look in the casino you see mostly women working, black women.... Men, very few, you got a couple of educated ones who finished high school and so forth."

These men are resentful, believing that they are an unwanted surplus population. One commented: "It's part of the plan, do you understand, the plan was when they brought this in, they want to make it one big resort and nobody living here. What they want to do is move you out, they don't care about the people, they never did." This man, however, had lost a casino job for absenteeism and alcohol problems. Now he can't find a job because "well, it's like this, they look back at your records." Nor can he find housing when his

income is \$140 a month in general assistance and rents begin at \$600.

Despite their limitations, New Jersey's welfare reform efforts have had a measurable impact. Welfare caseloads came down throughout New Jersey in 1995 and 1996, as they have in the rest of the nation, and the decline has been especially large in Atlantic County. From July 1992 to July 1996, New Jersey welfare caseloads declined about 7 percent. For Atlantic County as a whole, caseloads were down 17 percent in the same period. The decline has been very large in Atlantic City, with caseloads down 23 percent, and also strong in the suburbs at 11 percent. Much of this decline can be credited to the impact of the FDP's counseling, educational, and job placement services in the context of a good labor market.

In 1996, the Christine Todd Whitman administration instituted a new Work First welfare reform plan that corrects many of the limitations of the previous plans. Work First requires teen parents to stay in school and live with their families or in other supervised settings as a condition of getting a grant. It also consolidates a number of previously separate programs, including those serving primarily men, and requires cooperation with child-support collection efforts. In contrast to the FDP, it emphasizes getting clients into jobs as quickly as possible rather than funding long-term educational plans. It also cuts funding for counseling and case management. Unfortunately, these changes were made before the effectiveness of the FDP had been fully evaluated.

These reforms cut caseloads and help individual recipients break from the culture of dependency, but they cannot revive blighted neighborhoods if those who find good jobs simply move to the suburbs. The casino redevelopment act does provide substantial funds for urban redevelopment, and the casinos have a strong business interest in making Atlantic City an attractive city that can compete with other destinations for family vacationers. Unfortunately, until the last few years, Atlantic City as a community did not organize itself effectively to invest these resources. Atlantic City has a long history of corrupt and inefficient government and of racial and neighborhood polarization. Often the casinos have been used as scapegoats for not resolving social problems that can only be solved by local government.

In the last few years, during Mayor James Whelan's second term, the city has found the political will to focus its energies on redevelopment. And the results are clearly visible. Subsidized housing, initiated during the tenure of a former mayor, is being built, with

preference going to displaced residents. Much of the most dilapidated housing has been replaced with attractive new structures. Crime rates and school dropouts are down, and some new retail stores are being constructed. The new Convention Center promises to bring more year-round, overnight visitors to supplement the day-trippers who have long provided the core of the casino business.

At the same time, Atlantic City continues to support a considerable population of addicted, mentally ill, or otherwise unemployable individuals. Some of these, particularly the chronically mentally ill, might be better served by programs for the disabled than by welfare. But these require extensive and time-consuming medical evaluations and may also be facing funding problems. Limited funding is available for services for alcoholic or drug-abusing mothers, whose children are the most vulnerable. Simply providing addicted mothers with a welfare check is not a solution, however, if they quickly spend the cash on drugs.

The homeless and down-and-out population is cared for at the Atlantic City Rescue Mission, which is ironically located next door to a casino dealer's training school and across the street from the bustling construction site of the new Convention Center. The mission receives considerable charitable support from the casinos, including \$800,000 from Bally's in 1996, and an annual donation of \$340,000 worth of leftover food from the Trump casino buffets. Mission manager William Southrey estimates that about 30 percent of their clients have health problems that make it very difficult for them to be employed outside of a highly sheltered environment. Perhaps another 20 percent are individuals who prefer living freely on handouts to the discipline of the workplace. The mission offers them three meals and a roof over their head if they are willing to help out with chores at the mission. About half the people who end up at the mission seem to have the potential to benefit from counseling and training programs leading to employment.

As welfare programs are cut back, additional funding may be needed for services to the disabled, the homeless, and the mentally ill. Cutting funding for counseling and case management may prove counterproductive, since many recipients require a good deal of encouragement and direction in making a transition from dependency to the workplace. A combination of carrot and stick approaches, which New Jersey should incorporate in its welfare reform programs, is likely to be most effective.

Atlantic City's employers have learned that simply offering jobs is not enough. Two large new casi-

nos are being planned for Atlantic City, which will mean another period of massive hiring. The management of these casinos are already setting up a training and mentoring program in an old high school building to work with the city's estimated 2,800 hard-core unemployed.

It might be argued that Atlantic City is not a good test of William Julius Wilson's proposals because the casino boom has brought service jobs, not industrial jobs such as those which were lost in cities such as Detroit, Chicago, and Philadelphia. Atlantic City, however, was always a resort city, and much of the city's population was always employed in hotels, restaurants, or illegal gambling houses, as well as in crime and prostitution. The new jobs are similar to the ones that had been lost. Actually, they are better since the casino industry offers affirmative action protection and many more opportunities for advancement than did the employers of the past. The seasonal fluctuations in employment are also less severe than was the case when the beach was Atlantic City's only attraction.

Unique to the casino industry is its heavy state regulation, which was implemented in an attempt to control organized crime. Job applicants must pass strict security checks to get a card that permits them to work in the casino hotels, and those with criminal records are often excluded. Even a petty or juvenile criminal record has kept some poor people from working in the hotels, although they can be employed in firms that service the casinos, such as laundries and food suppliers. On the positive side, casino regulations have given Atlantic City youth a good reason to avoid getting a criminal record.

Since service employment is growing as a proportion of the labor force, the Atlantic City experience is in many ways a more realistic model for other cities than William Julius Wilson's vision of industrial revival and government-funded work programs. Hotels and resorts everywhere must be concerned about employees' criminal records, since their employees have access to customers' rooms and personal belongings. In many service jobs, employees must be presentable in appearance and inoffensive in personal behavior. Even valet parking attendants, who can make good money from tips, must be sober and responsible enough to be trusted with customers' cars. This does exclude some workers who might be employable in an industrial setting, and it places a greater premium on job readiness.

The decline of small business in Atlantic City limits work opportunities for some who may not be comfortable in a bureaucratized, corporate atmosphere.

This decline was in part an unanticipated consequence of the casino regulations, which allowed casinos only in hotels that had over 500 rooms and offered substantial convention and entertainment facilities. The result was enormous, self-contained casino complexes. Customers, who have arrived by charter bus or have left their cars in a casino garage, have little reason to leave the casino hotels for shopping, dining, or entertainment. If they desire variety or fresh air, they may stroll up the boardwalk to try a different casino, but few walk into town to patronize the small stores, restaurants, or clubs on the streets a block or two back from the ocean. This is quite different from the pattern in Nevada, where gambling grew organically with much less state supervision. In Nevada, there are small as well as large casinos, and many small businesses cluster around the smaller casinos.

The improvements that can be seen in Atlantic City in the last few years reflect concerted governmental action as well as a strong labor market. Urban renewal has used casino reinvestment funds to replace decayed housing. Welfare reform has helped recipients to break the culture of dependency and to develop job skills. Welfare time limits will provide an additional push to some recipients, but it may be difficult to find the resources that many of them will need for counseling and training.

It must also be recognized that many people in underclass neighborhoods are unable to work because of severe mental health or addiction problems. These people need more than a monthly check, which many use to feed their addictions. Resources for helping them are sorely limited. Some of them may be beyond the ability of the helping professions and criminal justice system to rehabilitate, even with the best of intentions and adequate funding. A strong labor market does little for this population, although it has benefited from the taxes and charitable contributions paid by the casinos and their employees. If urban renewal pushes members of this population out of neighborhoods, they need to be provided for somewhere else.

Ghetto poverty may have emerged when work disappeared and was replaced by welfare dependency, but the Atlantic City experience shows that the problem is not solved when work reappears. The combination of welfare reform, well-funded urban renewal efforts, and a good labor market can make significant progress.

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