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7-1-2001

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### Citation

DeRango, Kelly. 2001. "Discrimination and Segregation in Housing." *Employment Research* 8(3): 1–3.  
[https://doi.org/10.17848/1075-8445.8\(3\)-1](https://doi.org/10.17848/1075-8445.8(3)-1)

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## Discrimination and Segregation in Housing

*[Editor's note: This article is the last in a series on "Research Questions for the New Millennium." The series aims to identify research needed to inform employment policy in the near future.]*

Here's a quick quiz: is housing today more or less racially segregated than in 1860, the first year of the Civil War? You might be tempted to answer "less segregated" based on the 30 years of racial progress that has followed the passage of major civil rights legislation in the 1960s. Besides, you answer, surely we live in a more racially integrated society today than the one in which slavery was still legal. Nevertheless, if you answered "less segregated," you would be wrong.

To understand this surprising result you need a brief review of the dissimilarity index, the standard measure of segregation in housing. A score of 0 corresponds to perfect integration and a score of 100 indicates absolute segregation. The index itself is typically interpreted as the percentage of the minority population that would have to move in order to achieve full integration. The average dissimilarity index calculated for free blacks and whites for residents in major northern cities in 1860 showed that about 45 percent of all blacks would have to move in order to fully integrate the typical city. In the South that number was closer to 30 percent. The latest figures from census 2000 show that in the 50 cities with the largest black populations, the median dissimilarity index is 65. The most segregated city in the United States, Detroit, has a dissimilarity score of 85 (Lewis Mumford Center 2001).

Table 1 makes it clear that the intense social isolation of racially homogeneous ghettos is a construction of the early industrial era. Each row shows the dissimilarity index for selected northern cities from 1860 to 2000. A confluence of formal legal barriers and informal social hostilities—see Massey and Denton (1993, Chapter 2) for a fuller discussion of these factors—caused the average segregation level to double from 46.6 to 89.2 in the period from 1860 to 1940. Since 1940, segregation has decreased but at a relatively slow rate. Consider for a moment that the average dissimilarity index for cities in Table 1 has declined 17 points in 40 years, or about 4 points per decennial census. At this rate of decline, these particular cities would not reach segregation levels lower than those in 1860 until the year 2060.

A growing number of studies suggest that racial segregation in housing may have a profound effect on our society. For instance, Cutler and Glaeser (1997) estimate that a one-standard-deviation decline in black/white segregation would narrow the black/white gap in schooling (high school and college graduation rates), employment (labor force participation rates and earnings), and single parenthood by about one-third. Recent reviews (Kain 1992; Holzer 1991) of the spatial mismatch literature indicate that the employment prospects of central city residents, especially young and unskilled laborers, have been adversely affected by a geographic shift in the location of entry-level jobs away from traditionally black and Hispanic central cities and toward typically white suburban areas. Thus, by isolating minorities to low-job-growth areas, racial segregation increases spatial mismatch and contributes to poor labor market outcomes. Other studies have linked high levels of

racial segregation to poor educational attainment (Orfield 1997), increased infant and adult mortality rates (La Viest 1993; Collins and Williams 1999), increased homicide rates (Peterson and Krivo 1999), and even decreases in voter turnout (Cohen 1983).

**Table 1 Segregation (Dissimilarity Index) in Selected Northern Cities, 1860–2000**

City	1860	1910	1940	1970	2000
Boston	61.3	64.1	86.3	79.9	65.7
Chicago	50.0	66.8	95.0	88.8	80.8
Cincinnati	47.9	47.3	90.6	83.1	74.8
Cleveland	49.0	69.0	92.0	89.0	77.3
Indianapolis	57.2	NA <sup>a</sup>	90.4	88.3	70.7
Milwaukee	59.6	66.7	92.9	83.7	82.2
New York	40.6	NA	86.8	73.0	81.8
Philadelphia	47.1	46.0	88.8	83.2	72.3
St. Louis	39.1	54.3	92.6	89.3	74.3
San Francisco	34.6	NA	82.9	55.5	60.9
Wilmington	26.1	NA	83.0	NA	53.5
Average	46.6	59.2	89.2	81.4	72.2

SOURCE: For 1860, 1910, and 1940, Massey and Denton (1993, Table 2.1, p. 21); for 1970, Massey and Denton (1993, Table 2.3, p. 47); for 2000, Lewis Mumford Center press release (2001).

<sup>a</sup>NA = data not available.

Racial segregation in housing is caused by three principal factors: voluntary sorting, interracial differences in socioeconomic status, and discriminatory practices perpetuated by rental agents and realtors. The first factor, the preferences that people have over the racial composition of their neighborhood, is not directly controllable through legislation (although its impact on segregation is undeniable). Segregation in housing would be of considerably less interest to social scientists if voluntary sorting were its only cause. When studying segregation in housing, social scientists typically ignore the effect of voluntary sorting and search for empirical strategies that allow them to quantify the impact of either differences in socioeconomic status or involuntary sorting caused by discriminatory practices. Almost no research exists to date that decomposes black/white segregation into these three components.

There is little evidence that the second factor, differences in income, wealth, and educational attainments, has a large effect on segregation levels. Studies that calculate segregation indices for

blacks and whites in different income groups report very little variation in segregation levels as incomes rise and fall. For instance, using data from the 1980 census, sociologists Douglas Massey and Nancy Denton (1993) calculated the dissimilarity index for blacks and whites with incomes below \$2,500, between \$25,000–27,500, and above \$50,000 for 30 major metropolitan areas. The average indices by income group for the northern cities examined were 85.8, 80.7, and 83.2, respectively. A similar pattern held for cities in the South. There is little evidence that racial segregation in housing is in fact a by-product of economic stratification.

The third factor, discrimination in housing markets, is perhaps the most important factor because it not only substantially increases segregation but is also amenable to policy measures. Despite the passage of civil rights legislation in the 1960s that granted minorities the legal right to equal access in housing, there is evidence that discrimination persists. National audit studies conducted by the Department of Housing and Urban Development that send pairs of black and white testers to visit realtors and rental properties revealed that blacks are likely to be given less information on housing availability than are their white counterparts in approximately one out of every five visits. The most egregious form of discrimination in housing availability—telling minorities that a property is not for rent or for sale when the white tester is told the opposite—occurs about 7 percent of the time in the sales market and about 10 percent of the time in the rental market (Yinger 1992).

This high incidence of discrimination in housing markets affects segregation through two mechanisms, one direct, the other indirect. The direct mechanism is the most obvious: blacks who seek apartments or homes in white neighborhoods often find those efforts stymied. Minorities are more likely to find housing in areas predominantly populated by minorities because information about such properties is more readily available.

The second mechanism involves the effect of discrimination on the search behavior of blacks looking for homes and apartments. Research has shown that blacks utilize the services of realtors in much lower numbers than whites and that a large part of this differential is due to the fear of experiencing discrimination (Farley et al. 1979). Realtors are losing business because minorities dread the humiliation associated with discrimination. To avoid discrimination, minorities appear to minimize their exposure to situations that could potentially end in disparate treatment. While there are few empirical studies of housing search behavior, it is not hard to imagine that this fear of discrimination affects other aspects of minority search patterns that exacerbate racial segregation. A logical extension of Farley's findings is the possibility that minorities are less likely to search for housing in predominately white areas, not because they find those areas unappealing per se, but because they fear the increased likelihood of experiencing discrimination.

Given the deleterious effects of segregation mentioned above, public policy should be directed at educational efforts and enforcement measures of fair housing laws that might decrease the incidence of discrimination, lower involuntary segregation, and lead to a more integrated society. Fortunately, there are some simple measures that may reduce both racial discrimination and segregation in housing.

The first measure is the implementation of community education programs focusing on fair housing laws and compliance. The second involves using housing audits to investigate fair housing

complaints. Depending on the severity of the infractions and the strength of the evidence, the most appropriate result of an enforcement audit may be either education or legal actions.

The third measure is performing audits that measure the overall incidence of housing discrimination in the community and publishing the results in a widely read forum, such as the local newspaper. The purpose of this last measure is twofold. First, it monitors the effectiveness of the first two measures. If education and enforcement activities produce the desired results, then the overall incidence of housing discrimination should decline with time. Second, credible evidence that racial discrimination in housing is declining may induce minorities to increase their search efforts for housing in predominantly white areas.

Unfortunately, the effectiveness of these measures on either search behavior or the discrimination rate is simply unknown. Research to date on segregation in housing has focused on questions such as “Does discrimination still exist in housing markets?” and “Can housing segregation simply be a result of economic status?” and has left the question of how discrimination causes segregation largely unexplored. The answers to basic questions, such as what the response of segregation is with respect to the discrimination rate, how the discrimination rate varies under different enforcement regimes, and whether discrimination in housing is pro- or countercyclical, are unknown at this time. Given the sizable effect of segregation on economic and social outcomes, it is reasonable to believe that new empirical research clarifying the relationship between search, discrimination, and segregation may be welcomed not only by other social scientists, but by policymakers as well.

### **Suggested readings**

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