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The Cost of Segregation || Part 2: Paying for Preferences

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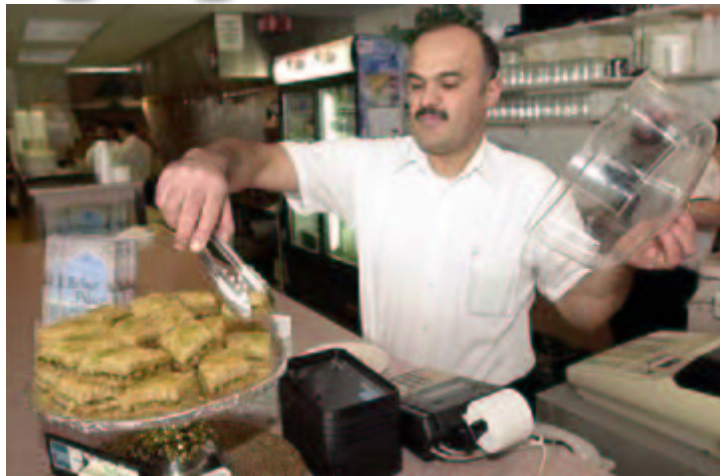
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Max Ortiz / The Detroit News

Hussein Ahmad, co-owner of Beirut Palace in Royal Oak, considered expanding into Detroit but decided against it, primarily because of concerns about schools and police protection.

Economics

Region pays price for reputation

Segregation keeps businesses, professionals from locating to Detroit area

By Francis X. Donnelly / The Detroit News

When marketing consultant Jacquelyn Vaughn moved to Metro Detroit in the mid-1980s, the city seemed at war with its suburbs.

Grosse Pointe Park was considering building a hill to separate it from Detroit. Dearborn was trying to keep non-residents out of its parks. Warren, population 161,134, was being sued by the U.S. Justice Department for not having any blacks on



Donna Terek / The Detroit News

Jacquelyn Vaughn moved her consulting business to Detroit despite

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its payroll.

Then-Detroit Mayor Coleman Young said the city was an island amid "hostile" suburbs. A sociological study found that Detroit had the most racially segregated housing in the nation.

Vaughn still came to Detroit. After all, the city she moved from, Chicago, had the second most segregated neighborhoods. But she and others believe some professionals from other parts of the United States have stayed away from Metro Detroit because its blacks and whites tend to live far from each other.

Perhaps more important, some believe segregation has contributed to the decline of business investment in Detroit as opposed to its suburbs, as firms move away from areas with high crime, poor economies and fewer educational opportunities.

For a firm evenly split between Detroit and another city as the possible home of its new headquarters, the distasteful aroma of segregation could be a deciding factor, business officials said.

It all adds up to one more cost of segregation, a tangible expense in the world of dollars and cents. And the business community has been paying that price for the past two decades, businesses and recruiters said.

There are other tolls that segregation can extract from corporate America, businesses and scholars said. As neighborhoods become more one color or another, businesses located there lose members of the departing race as customers.

Companies in predominantly black neighborhoods face an additional problem, sociologist Gregory Squires said. Studies have found that those areas, more than white enclaves, experience a loss of businesses that lead to drops in taxes and public services.

The downward spiral makes it more difficult and expensive for the companies left behind to stay in business, Squires said.

"Most people don't perceive it (segregation) to be healthy in a whole number of ways," said Squires, sociology department chairman at George Washington University in Washington, D.C. "That includes political, sociological, racially and economic."

He said most segregation, like the type in Metro Detroit, involves a black city with white suburbs. In such cases, some whites are afraid to

consulting business to Detroit despite the divide between the city and suburbs. Vaughn said it's important for companies that employees feel comfortable in the places where they live.

Business costs

The consequences of segregation extend all the way to the business community, costing both white- and minority-owned companies money. The impact:

- * Segregation prevents some companies and top recruits from locating here.

- * Companies in all-white or all-black neighborhoods fail to draw business from people who are different from the locals.

- * Businesses in all-black neighborhoods have been hurt by the loss of services, residents and related firms in their area.

- * Some employees and entire companies leave an area because they object to the segregation.

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shop in the city, thereby depriving its shops of customers.

Segregation downplayed

Some businesses and headhunters in Metro Detroit downplayed the impact segregation has on their bottom lines.

They said they believed communities were making strides in improving integration. They also said recruits consider other criteria, such as pay and the school system, in deciding where to relocate.

Rod Gillum, vice-president of corporate relations and diversity for [General Motors Corp.](#), said he didn't feel the company's recruiting was hurt by the area's scent of segregation.

"There's a lot of favorable things about Detroit," he said. "Also, we're an international company so our people can live anywhere in the world."

He said professionals were more concerned about such things as their chances to be promoted, and that there not be a glass ceiling that prevents women or minorities from rising to executive positions.

Economic development officials in Detroit and Pontiac also dismissed the notion that segregation hurts their business recruiting.

But others say the segregation issue has an impact on the work place by playing itself out in destructive ways. If it doesn't stop a professional or company from coming to Detroit, it could contribute to racial disharmony that might prompt them to leave.

Segregation is such a sensitive issue that some business groups declined to discuss it for this article. One such group was the Detroit Black Chamber of Commerce.

Chamber Chairman Walter Watkins said he was busy running the fledgling group and would rather not discuss the issue or its impact on local companies.

"I'm not prepared for this right now," he said. "It's a little premature for us to answer questions about it."

Civic and business groups said they couldn't name specific examples of recruits or companies who declined to come to Detroit because of its reputation for segregation, but said they had no doubt it has happened.

There is certainly evidence that as whites fled Detroit in the last half century, business investment followed them.

Manufacturing jobs in Detroit dropped from 338,000 in 1947 to 180,000 in 1972 to 47,000 in 1997, according to the book, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit*.

Even from 1992 to 1997, the number of registered businesses in Detroit dropped 4 percent, according to the most current statistics available from the U.S. Census Bureau. In the same period, the number of businesses in suburban Oakland County, for example, grew 11 percent.

Sometimes the cost of segregation plays a role in a business' decision where to locate, even when it's not considering race.

Beirut Palace, which has restaurants in Sterling Heights and Royal Oak, was thinking about expanding into Detroit after the opening of Greektown Casino in 2000.

But Hussein Ahmad and his four brothers decided against the move.

Now they're thinking of opening their third Lebanese and American food restaurant in Troy or another suburb.

Ahmad said the reason they opened the businesses in the suburbs had nothing to do with segregation. But the reasons why they like those communities -- better schools and police protection -- are directly affected by segregation.

Milwaukee's perspective

If Detroit businesses want an outside perspective of how they could be affected by segregation, they can consult their brethren in Milwaukee.

While blacks and whites also live apart in Milwaukee, the city has far more whites than Detroit. Half of Milwaukee's population of 597,000 is white, according to the latest census.

So while white recruits may feel out of place working in Detroit, black recruits may feel more intimidated contending with Milwaukee's segregated neighborhoods.

Karen Nelson began a business group in Milwaukee to help new black professionals deal with the issues that grew out of segregation.

The Leaders Forum, which doesn't have a counterpart in Detroit, provides mentors, orientation, a network system and information about the community to incoming professionals. She describes her group, which was formed in 1995, as a black welcome wagon.

"It's because we're so concerned about brain drain leaving and never coming back," she said, echoing the concerns of Detroit companies. "Or the best and brightest names on both coasts are never attracted to us in the first place."

She said professionals won't stay in a community unless they eventually feel comfortable. Civic leaders in Detroit agree.

N. Charles Anderson, chief executive of the Detroit Urban League, said segregation forms a vicious cycle that hurts Main Street over and over again.

With members of a race leaving a neighborhood, the businesses that cater to them suffer and some leave, Anderson said. As they move out, the tax base weakens. With less taxes, the municipality provides fewer services.

With the neighborhood thus falling apart, more residents then leave, and the cycle begins anew, Anderson said.

Selling the city

The city's chances of convincing a worker or company to move to Detroit are lessened when the city is burdened by high crime rates or poor education opportunities.

Reynolds Farley, a researcher at the University of Michigan's Institute For Social Research, said crime, education and other costs of segregation would be some of many factors -- which include taxes transportation and land costs -- that a company weighs when deciding where it wants to relocate.

"If you're starting a small firm, you want to go where workers would feel comfortable," he said. "With everything else being equal, I could

imagine it being a deciding factor."

Vaughn, president of the Detroit-based Vaughn Marketing Consultants, agreed that it's important for companies that their employees feel comfortable in the places where they live. And with races living apart, and not being sure of each other, it promotes distrust between blacks and whites.

"What else do we have besides our personal lives?" she asked. "What else do we have besides where we live?"

Some Detroit companies and business groups believe the way to offset the cost of segregation is to do a better job of selling the city, including highlighting neighborhoods like Palmer Woods and others where blacks live next to whites.

Henry Hagood, economic equity director with New Detroit Inc., said this campaign should be especially geared toward professional recruits. They know little about the city and will base their impressions on the area's reputation.

"We have a lot of work to do in how we perceive ourselves and how we define ourselves," he said. "We have to figure out how we're going to redefine the city."

Detroit should start, Hagood said, by billing itself as a place that is safe and comfortable enough to raise a family.

Some business advisers already sound a hopeful note for corporate Detroit in the future.

Last year, Site Selection Magazine called the Metro Detroit region the nation's No. 1 area in new or expanding businesses, aided by projects such as the Greektown Casino and a new optic device plant in Northville.

Business advisers said decisions by major corporations like [General Motors Corp.](#) and Compuware to relocate downtown also will bring more whites to the area. If that happens and the city becomes more integrated, it could attract more companies and replace the destructive cycle.

One business official sounding this theme is E. Delbert Gray, president of the Michigan Minority Business Development Council.

"I think we're on the edge of a major revitalization for all aspects of the city, not just business," he said.

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