

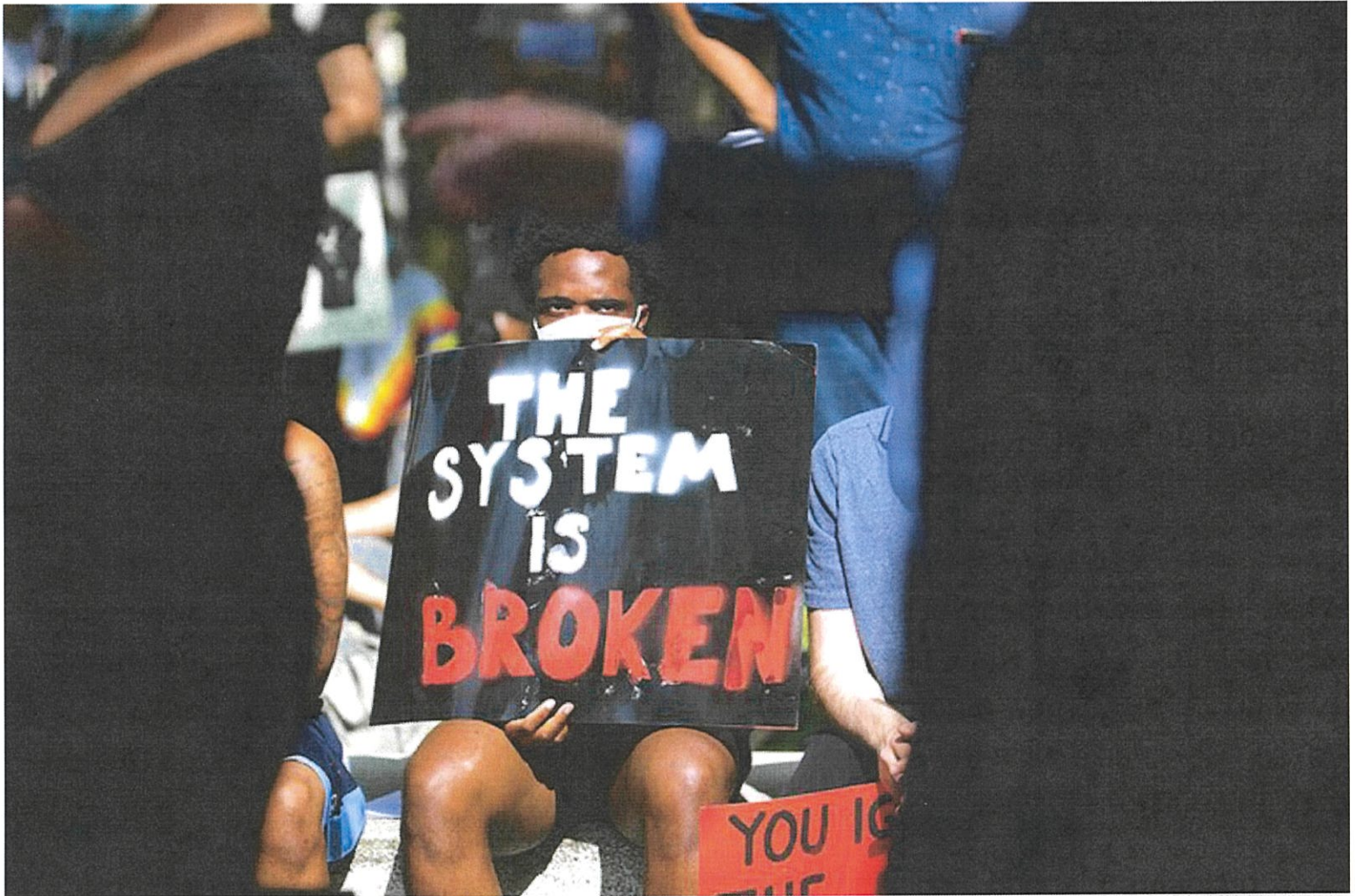
# CRAIN'S DETROIT BUSINESS

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## As Detroiters take to the streets, economic inequality comes into focus

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Paul Sancya/AP

A protester listens during a rally in Detroit Thursday over the death of George Floyd, who died May 25 after being restrained by police in Minneapolis. |

Detroit boiled over this week as protesters took to the streets for mostly nonviolent demonstrations against police brutality.

But the cries of racism extend long past policing policies in a city where recent health crises and economic recovery then fallout have been uneven.

Black Detroiters represent 1,138, or 81.8 percent, of the 1,392 COVID-19 deaths in the city as of Friday. After years of paltry gains in income — only 12 of Detroit's 297 neighborhoods are considered middle class — the coronavirus recession decimated black communities. The unemployment rate of Detroit, which is 77 percent black, climbed to 38.5 percent in April from 7.6 percent in February prior to the outbreak. It took the U.S. 97 months to create 9 million jobs coming out of the no-longer-aptly named Great Recession. Experts worry the now amplified racial inequities in the economy will only worsen in the coronavirus recession as black Detroiters continue to toil for economic equity.

"Most Detroiters have been disjointed from the regional economy for decades," said Peter Hammer, professor of law and director at the Damon J. Keith Center for Civil Rights at Wayne State University. "The notion that you've been abandoned, the notion that the American dream doesn't apply to you, that's not new news. Structural racism is our generation's civil rights challenge. The data is here that things are not getting better."

### **A dream deferred?**

Starting in the 1950s, Southeast Michigan grew largely at the expense of the city of Detroit.

White flight, a loaded term in this region, led to one of the most fractured and segregated regions in the U.S. As white families fled to the suburbs businesses followed. Between 1947 and 1963, 25 new automotive plants were built by General Motors Co., Ford Motor Co. and Chrysler — all in the suburbs. The rapid deindustrialization of the city led to more than 143,000 jobs losses.

Black residents, plagued by discriminatory housing and hiring practices, were left in ghettoized portions of the city, like Black Bottom and Paradise Valley, with few options and worse consequences. The flight of auto plants pummeled the black Detroit workforce with unemployment reaching 18.2 percent, and as high as 30 percent for 18- to 24-year-olds, in

1960. Conversely, white unemployment in the region was only 5.8 percent.

After years of disinvestment in and near black communities in the city, Detroit sat on a tinderbox of economic and social strife. White police officers, often accused of brutality against the black community, raided an after-hours blind pig in the Virginia Park neighborhood and set off a searing five-day conflict in 1967. Roughly 7,000 U.S. National Guard and Army troops were called into service and by the end 43 people were dead and 342 injured.

The events set off a chain of protests and riots across the U.S., which were then exacerbated by the murder of Martin Luther King Jr. and another round of riots. A measure of relief came when Congress passed, and President Lyndon Johnson signed, the Fair Housing Act of 1968 only days after King's assassination as a means of quelling the economic divide by eliminating housing discrimination.

Yet the disparities remain similar more than 50 years later.

In 2018, the most recent available data, the unemployment rate among black Detroiters was 14.6 percent, compared to just 7.8 percent for white Detroiters, according to data from the U.S. Bureau of Labor Statistics. Statewide, roughly 24 percent of all black residents between 24 to 55 years old were unemployed or out of the labor force in 2014, compared to 19 percent of whites, according to the federal data. Median incomes for black households in Detroit rose to \$29,937 in 2017 from \$27,334 but remain well below the median household income of \$43,123 in Macomb County and \$55,054 in Oakland County.

"On the eve of the rebellion (in 1967), the region was incredibly prosperous, but that prosperity was not reaching the majority of black citizens and police brutality against them was rampant," said Heather Thompson, Pulitzer Prize-winning author and professor of Afro-American and African studies at the University of Michigan. "This is the exact situation today, still, in cities across America, and they are erupting now for the same reason they did in the 1960s. When equal opportunity and equal justice under the law are time and again denied and deferred for all citizens, those same citizens eventually explode in their desperation to be heard."

## Trapped in history

With entire generations of Detroiters, mostly black, facing a future of limited to no economic mobility, Detroit Mayor Mike Duggan and city stakeholders have focused much of the city's economic effort on jobs creation.

Duggan revived the Detroit Workforce Development Board in 2015 to tackle the goal of creating 100,000 jobs in the city. The problem is a lack of jobs available to Detroiters. A 2017 study by the board, funded by J.P. Morgan Chase & Co., revealed that Detroit had 258,807 jobs in 2014 and a population of 706,663. That's only 0.37 jobs for every resident — abysmal compared to other cities.

For instance, Atlanta had 818,462 jobs in its city and a population of 447,848, or 1.83 jobs for every resident. Cleveland had a population of 394,335 and 466,305 jobs, or 1.2 jobs for every resident. These cities must attract workers from the suburbs to the city for jobs.

Detroit's problem is quite the opposite. Of those 258,807 jobs in the city, 74 percent were held by employees commuting from the suburbs. In comparison, 108,000, or 61 percent of employed Detroit residents, had to travel outside the city for their jobs. Roughly 46 percent of those travel more than 10 miles from home, with the most common destinations being Warren, Southfield, Dearborn, Sterling Heights and Farmington Hills, according to the Chase study.

There were some wins in recent years.

FCA US LLC signed a community benefits agreement that gave Detroiters first crack at its nearly 5,000 jobs at its \$2.5 billion expansion in the city.

But despite dozens of labor training programs, new business investments and fixes to the city's broken education system, the jobs weren't coming fast enough.

"This is the biggest problem Detroit faces and (is) why it hasn't been revitalized beyond downtown and Midtown," Marick Masters, director of Wayne State University's labor studies program, Labor@Wayne, told Crain's in 2015. "All the other problems devolve from this: the inability to have good schools, to have adequate lighting, the lack of infrastructure, housing, etc."

And those wins don't always materialize.

Sakthi Automotive Group was the first new automotive parts supplier to open in Detroit in about a decade. The knuckle and steering arm supplier transformed a shuttered ArvinMeritor plant and planned to repurpose the 98-year-old defunct Southwestern High School into a training center. It prioritized hiring Detroiters and became the state's benchmark employer for its returning citizens program by hiring more than 200 parolees.

By 2020, Sakthi Automotive estimated, it would invest more than \$100 million in the city. In turn, the state supported its expansion efforts with \$5 million in grants, Detroit waived property taxes and carved out a Renaissance Zone around the nearly 40-acre property to alleviate Sakthi from paying hardly any state or local taxes at all until 2031. Sakthi Automotive was deemed the keystone to Detroit's manufacturing resurgence — garnering photo opps with Duggan and former Gov. Rick Snyder.

The company shuttered earlier this year after [mismanagement by executives battling for control of the auto supplier derailed its efforts](#).



Wayne State University

Khari Brown

"We hear a lot about institutional racism, but haven't heard from the people on the news on how to define it," said Khari Brown, an associate professor of sociology at WSU focused on race, religion and politics. "The black poor in Detroit and around the country are unique. They are poor because they don't have the economic resources, such as jobs, like other communities. They tend to live in less diverse neighborhoods with people like themselves.

"Not only do they live without the basic necessities, they don't know anyone that has those either."

## Good jobs?

Michigan workers simply can't get ahead of rising costs because jobs, while plentiful, do not pay enough. Between 2010 and 2017, roughly 61 percent of jobs in Michigan paid less than \$20 per hour, with nearly two-thirds of those paying less than \$15 per hour, according

to data gathered from the U.S. Bureau of Labor Statistics for [a 2019 United Way study](#).

The greatest jobs gains in Michigan were in occupations that paid between \$9.43 per hour and \$15.91 per hour, the report found.

Retail jobs, for example, increased 12 percent, but wages only rose 5 percent. Assembly and fabricator jobs grew 64 percent, but wages declined 1 percent over the same period.

In Wayne County, 683,986 households, or 56 percent of all households in the county, were considered unable to pay for necessities in 2017, according to the United Way. The situation is exacerbated in Detroit, even for educated Detroiters. City residents holding the same degree as their suburban peers are paid \$20,000 less, according to Growing Detroit's African-American Middle Class, a report released last year by Detroit Future City.

Prior to the coronavirus pandemic, progress was being made around the country. Detroit's unemployment rate reached near historic lows in February at 7.6 percent.

"A lot has changed," said Anika Goss, executive director of Detroit Future City. "We heard the mayor in the state of the city this year talk about equity and economic opportunity and they are using the same data we are using. With 91 neighborhoods near middle class, we had a great opportunity to take the gains and transform Detroit from a majority lower-class city to a majority middle class city."

Then COVID-19 hit.

Black workers suffer from a phenomenon academics call "first fired, last hired." Black workers are more often than not terminated before white workers, because the population works in industries more susceptible to economic woes. Fewer than 20 percent of black workers were able to work from home during the COVID-19 pandemic, compared to 30 percent of white workers, according to a March [study by the Economic Policy Institute](#).

This explains why Detroit's unemployment rate was 38.5 percent in April, compared to the state's 22.7 percent rate. The U.S. unemployment rate unexpectedly improved in May to 13.3 percent, down 1.4 percent, but not for everyone. The unemployment rate for whites dropped in May to 12.4 percent from 14.2 percent in April. For blacks, the unemployment

rate actually rose to 16.8 percent in May from 16.7 percent in April.

### **A beacon in the terrifying darkness**

"COVID has set us back, but we weren't really as far along as we thought," Goss said. "A number of households that we thought would improve didn't. We're still finding the concentrations of poverty and the inaccessibility to opportunity still really exist. But what better time to make fundamental changes than now? During the pandemic. During the unrest."

Brown said it's time to resume the work of former Michigan Gov. George Romney when he was secretary for U.S. Housing and Urban Development between 1969 and 1973 under President Richard Nixon.

Romney threatened to withhold federal funding to communities that refused to build more low-income housing. Romney famously told Warren officials they would not receive a \$3 million urban renewal grant unless the city agreed to build more affordable housing, in hopes of diversifying the suburbs.

Romney believed, and [data now supports](#), ethnically and economically diverse communities boost the probability of ending multi-generational poverty and increase economic mobility for poorer residents.

Nixon and Romney came to loggerheads over Romney's anti-segregation housing stance. Romney eventually resigned during the early days of Nixon's second term.

Brown believes Detroit could do more to disperse poor residents into wealthier areas of the city.

"Every city in America has a black side of town and it looks all the same," Brown said.

"What can be done to lower economic levels of segregation throughout the country? We haven't solved segregation. Disperse affordable housing and we'll see greater access to resources."

Goss said increasing wages and health care in the city is critical to equality, but major structural changes are needed everywhere, including education.

"We have to make changes in all sectors to improve access to economic opportunity," Goss said. "If these were people we knew were working and could afford legal counsel and could afford their auto insurance, all of the issues that go into that, then yeah we wouldn't have to be protesting all over the country. We wouldn't be dealing with police brutality all over the country. George Floyd had just passed a bad check. He lost this job and ended up dead."

Hammer said the city needs to stop prioritizing economic development projects for stadiums and office towers and work to connect neighborhoods outside Detroit's 7.2-square mile downtown to the regional economy. But he's not convinced it will happen.

"Almost all of the investment in the city in the last 10 years has been justified to reconnect parts of Detroit to the regional economy, but the spillover effects are small," Hammer said. "I hate being a pessimist. I don't see things getting better for people living in the city. Most of these crises come and fade. That's why we have Michael Brown and the whole litany of names, most recently George Floyd.

"Most of them go without structural reform because a leader emerges to calm the situation. What could make the difference this time is the absence of leadership. Conflict needs a foil – an unnatural antagonist that feeds into the righteous anger that people are feeling. They are getting it."

Inline Play

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