

EVALUATING EVIDENCE OF DISCRIMINATION IN MULTI-ETHNIC HOUSING MARKETS¹

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SHORT ABSTRACT

As urban housing markets diversify, perceptions of discrimination assume various hues, and discrimination may take on new and different forms. Discrimination in multiethnic contexts goes beyond a majority group (e.g., whites) affecting a minority group (e.g., blacks). Further possibilities emerge, including that minorities, exercising their own race preferences within labor and housing markets, may themselves appear to be *discriminators*. Does residential separation of groups within a multi-ethnic housing market necessarily reflect the operation of discriminatory practices? Clarifying what constitutes discrimination, and ascertaining evidence of unlawful discriminatory practices within these markets, poses new challenges for applied demographers. Our paper will present a case study, drawn from metropolitan Los Angeles, illustrating how applied demographers can infer or rule out the existence of discriminatory practices where market processes themselves may produce residential separation. Claims of discrimination can be brought by establishing disparate treatment or discriminatory impact. We illustrate the use of both.

EXTENDED ABSTRACT

As urban housing markets diversify, perceptions of discrimination assume various hues and discrimination may take on new and different forms. Discrimination in multiethnic contexts goes beyond the practices of a majority group (e.g., whites) affecting a minority group (e.g., blacks). Further possibilities emerge, including the possibility that minorities, exercising their own race preferences within labor and housing markets, may themselves appear to be *discriminators*. Clarifying what constitutes discrimination, and ascertaining evidence of unlawful discriminatory practices within these markets, poses new challenges for applied demographers.

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The proposed paper examines a central issue in modern applied demography - how to know whether a specific pattern of residential concentration is the result of discriminatory practices by one group or another, amongst many and diverse ethnic and racial groups within a city. In the past, accusations of discrimination have focused on the practices of whites (as employers, landlords, or owners) affecting the choices of blacks (seeking jobs or homes), with the burden on the white agent to prove neutrality of practice with respect to race and ethnicity. Now, a more perplexing question presents itself: whether groups are favoring their own (or other groups) in filling jobs or renting and selling homes.

Our paper will focus on a case study which illustrates how applied demographers can draw on their techniques, data, and concepts to elucidate a question of growing public concern: Does residential separation of groups within a multi-ethnic housing market necessarily reflect the operation of discriminatory practices? We show how several types of local data can be integrated to clarify the dynamics of local rental housing markets and formulate an answer to that question. Used as an instructional case, our paper can afford students experience in using administrative-record data to analyze longitudinal changes in dwelling unit occupancy; small-area census data to delineate multiethnic housing markets spatially; and demographic reasoning to evaluate the claim of discrimination.

A key issue here stems from a complex interplay between own-race myopia and own-race preferences, on one hand, and the possibility of actual discrimination. To illustrate the problem, one group (Koreans, for example) may cluster residentially within an area broadly populated by Latinos, blacks, and other minorities. Here, one must distinguish Koreans' own-race *preference* from potential discrimination by landlords who may deliberately exclude would-be Latino or black tenants. Such issues will become commonplace in the future in communities where multiethnic populations, at varying levels of assimilation and economic status, compete for housing.

These issues have become immediate in metropolitan Los Angeles, which exemplifies the multiminority housing markets now emerging across the nation. Los Angeles is a housing market in which both Latinos and various Asian nationalities have become proportionally larger and more pervasive over time, even as blacks have diminished in proportion. Furthermore, particular groups differ economically: Asians,

for example, tend to pay comparatively higher rents (reflecting higher incomes and, perhaps, access to extended family resources). Not surprisingly, within the rental market housing gets allocated unevenly across groups. As a result, one group (e.g., Korean households) with access to more resources and preferences for pricier units in newly-upgraded buildings may be found living apart from another group (e.g., Latinos), who favor units that command lower rents. The central question is: How can one infer, or rule out, the existence of discriminatory practices where market processes themselves produce residential separation?

Racially and ethnically mixed neighborhoods are common across metropolitan Los Angeles. Recently, numerous distinct racial and ethnic enclaves have coalesced, some as distinctly separate from other sections of the city: for example, Little Tokyo and Koreatown near downtown Los Angeles, Little Saigon in neighboring Orange County, and mostly-Asian communities in the city of Alhambra. Even in these well-defined enclaves, populated predominantly by one racial or ethnic group, members of other groups are entitled to compete for housing in markets free of discrimination.

We examine processes of group succession in rental housing in one such enclave where group preferences, rising rents, and immigrant influx all interact. The question we pose is: How can one infer (or rule out) patterns of discrimination from changes in occupancy and transitions from one group to another? To answer this question, we analyze the context of increasing rents and arrivals of new immigrants. We examine existing and changing occupancy patterns, transitions in rental housing, and the outcomes of changing ownership in the rental housing market.

Claims of discrimination can be brought in two broad ways. One way is to focus on *disparate treatment*, which can be evaluated through auditing and testing programs. Standard paired testing methods match two separate applicants (e.g., one white, the other black). Each is sent to a real estate office or a rental agency, and their treatment is compared statistically to expose any difference in treatment due to race. To yield reliable measures of differential treatment in housing market transactions, paired testing must be applied to a representative sample of housing providers or available housing units in selected markets, and must adhere to highly standardized protocols set forth in

publications and manuals by the Federal Department of Housing and Urban Development (Urban Institute, 2002).²

The second way is to gauge *discriminatory impact*, that is, observable differences in outcomes. Discriminatory impact can be evaluated by examining, for example, the occupancy patterns of one or another group (e.g., detecting the absence of Latinos in a mostly-Asian neighborhood or apartment building); comparative costs and affordability (e.g., whether rent levels alone account for observed occupancy patterns and/or the comparative absence of one group among prospective renters); and patterns of residential succession (e.g., whether transitions invariably unidirectional, from non-Asian to Asian).

Our paper examines and analyses the two issues, potential discriminatory treatment and discriminatory impact. For the former, we examine the applicability (and limitations) of “testing” in creating a credible record of differential treatment. That is, does the statistical record show that random individuals who attempted to rent units were treated differently? We explore the complexities of providing evidence of differential treatment and the results of testing in complex multi-ethnic contexts.

The second issue, of discriminatory impact, is closer to standard demographic analysis. In context of discriminatory impact, we examine the demography of the neighborhood and of the apartments within the neighborhood. Is the ethnic composition of occupancy in a given apartment building consistent with the corresponding ethnic composition of occupancy neighborhood-wide, and with the applicant pool of would-be renters? How do income differentials shape such comparisons or foster patterns of occupancy in particular buildings within the neighborhood?

The analysis presented in the completed paper will provide a review of current thinking about how to identify discrimination in housing markets, a template for demographic investigations of apparent differential treatment, and a review of how demographic changes in large metropolitan areas intersects with the processes of apparent discrimination.

² These guidelines are accessible at: www.huduser.org/publications/hsgfin/phase1.html