

FiF-avhandling No. 135

Two Essays on the Economics of Discrimination

Ethnicity and Gender in the
Labour Market and Welfare System

Niklas Ottosson

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Abstract

This thesis covers two areas of the labour market not commonly studied in the context of discrimination: potential bias of job seekers against employers based on ethnicity and gender, and discrimination against employment seekers in the context of the unemployment insurance system. Utilizing survey experiments, both studies yield robust null results. Overall, these studies contribute to the understanding of discrimination dynamics in the labour market and welfare systems. Paper I shows that job seekers may not be motivated by discriminatory practices when seeking employment. However, more research is needed, and future work should be focused on natural experiments to prevent limitations similar to those in our study. Paper II highlights the importance of strict legal frameworks and of maintaining rigorous standards in public service delivery to mitigate discriminatory practices.

Keywords: Discrimination, Job search, Labour demand, Labour supply, Workers, Employers, Unemployment insurance, Welfare, Public administration, Decision-making

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List of papers

- I. Granberg, M., Ottosson, N., & Ahmed, A. Do ethnicity and sex of employers affect applicants' job interest? An experimental exploration, *Journal for Labour Market Research*, 54(1) (2020)
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- II. Ottosson, N., Granberg, M., & Ahmed, Ethnicity and Sex in Assessing Non-Compliance among Employment Seekers: A study within the Swedish Public Employment Service.

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Introduction

Discrimination has long been an issue at the forefront of public discourse. Its prevalence and how it affects the outcomes of different groups in society have wide-reaching implications, both economic and social, and has been a topic of extensive research for decades. Numerous studies show that discrimination is persistent across different nations and multiple sectors of society. It is a complex phenomenon to tackle.

Discrimination in the labour market has been studied extensively, primarily regarding discrimination of specific groups by employers in the hiring process. This thesis and the studies included herein offer a glimpse into discrimination in two areas of the labour market not commonly studied – the discrimination of employers by job seekers and the discrimination of employment seekers in the context of the unemployment insurance system. In paper I, we study whether employers might be the subject of discriminatory selection by those seeking employment. Such discrimination could negatively affect the ability of certain groups of employers to conduct their businesses effectively.

More commonly, however, discrimination is studied from the perspective of someone seeking employment. Employment seekers are diverse, from individuals already employed and seeking opportunities elsewhere to those without employment. In most developed nations, the latter group is eligible for economic assistance from the state. In Sweden, recipients of unemployment insurance benefits become subject to a legal framework requiring them to seek new employment effectively. In paper II, we study the potential discrimination against employment seekers receiving unemployment insurance benefits in the decision-making process at the Swedish Public Employment Service (SPES) in cases of non-compliance.

Both paper I and paper II employ survey experiments, which allow the study of circumstances that may not otherwise readily lend themselves to closer investigation in a controlled, experimental setting. They also provide a clean snapshot of the conditions of interest at a specific time. Like all methods, survey experiments are, of course, not without their drawbacks. Like ordinary surveys, they may reveal more about the

respondent's best interests and ideals than their actual beliefs and behaviours.

The fictitious nature of cases in a survey experiment may also fail to convey the same weight or air of importance imposed by real-life decisions. It may not demand the same ambition and focus of the respondent. Instead of survey experiments, observing actual behaviour would generally be preferred over observing explicitly stated behaviour. However, despite the extraordinary advancements in machine learning methods, technical and data availability constraints still hamper this type of research, rendering survey experiments one of the few remaining viable methods.

The following chapter covers a brief literature review, followed by a summary of papers I and II.

Literature review

There are numerous theories regarding the sources and motivations behind discrimination.

The Taste-based discrimination theory highlights the influence of personal preferences and prejudices on decision making and behaviour (Becker, 1957). This would suggest that discrimination results from personal preferences that negatively impact specific groups. According to the social identity theory, social identities such as ethnicity and sex may lead to the formation of so-called “ingroups” and “outgroups” (Tajfel and Turner, 1979, 1986). Ideally, this gives the ingroup members a sense of belonging. It may also promote favouritism of the ingroup or, worse, bias and discrimination towards a perceived outgroup. The expression of different types of biases may also not always be deliberate and conscious. Instead, according to the Implicit bias theory, behaviour and decisions may stem from unconscious biases (Greenwald and Banaji, 1995; Greenwald and Krieger, 2006).

Discrimination may not necessarily stem from the preference of one group over another but rather from what can be perceived as a rational choice based on incomplete information or generalizations about groups. This is termed Statistical discrimination theory (Arrow, 1973; Phelps, 1972). These generalizations, or stereotypes, may adversely affect an individual due to their group belonging and the group entirely.

Regardless of the motivation behind discrimination, according to Intersectionality theory, the experience of discrimination cannot be fully understood unless the entirety of an individual’s social identity is accounted for (Crenshaw, 1989, 1990). This would entail, for example, that the experiences of discrimination of males within an ethnic minority are not necessarily the same as those of females within the same group.

In the context of Paper I, all these theories could potentially come into play in that job seekers may be less inclined to apply for specific jobs based on the ethnicity or sex of the business owner. Their willingness to apply for a specific vacant job may be influenced by either a combination of their preferences, both conscious and unconscious, and statistically based generalizations.

In an administrative setting, as in Paper II, it is conceivable that both preferences and stereotypes could drive decision-makers. Additionally, this decision-making process may also be influenced by institutional discrimination, where the structures and policies underlying the public agencies, themselves, drive discriminatory tendencies (Pincus, 1999; Small and Pager, 2020).

In Sweden, empirical research on discrimination has primarily focused on the labour market.

Using correspondence tests, discrimination has been found against people with Arabic-sounding names (e.g., Carlsson and Rooth, 2007; Bursell, 2014). Both of these studies found that discrimination was more common in low-skilled sectors. Outside of correspondence tests, Eriks-son and Lagerström (2012) found that those with non-Nordic and especially those with Arabic-sounding names were less likely to receive contact with employers through an online CV service. Åslund and Skans (2012) found that anonymized job applications increased the chances for both women and people of non-western origin to receive a call-back to a job interview. They also found that women were also more likely to gain employment. Using econometric methods, Arai and Skogman Thoursie (2009) found that people who had changed their last names to a Swedish-sounding name from an Arabic, Asian, or Slavic-sounding name, on average, increased their yearly earnings.

Research has also been conducted on discrimination in the Swedish housing market. Ahmed and Hammarstedt (2008) found that a male applicant with a Swedish-sounding name was more than twice as likely to be offered to view an apartment than a male applicant with an Arabic-sounding name. However, in a study by Bengtsson et al. (2012), no differences between males with Swedish and Arabic-sounding names could be found. They did find that females with Arabic-sounding names were less likely than their Swedish counterparts to be offered a viewing.

Lastly, numerous studies have been conducted on other markets, such as the credit market (e.g., Aldén and Hammarstedt, 2014) and economic game experiments (e.g., Holm, 2000; Ahmed, 2010).

Summary of articles

Paper I

In paper I, a possible first, we studied the potential discrimination of employers by employment seekers. We conducted a survey experiment with 889 university students. The participants were presented ten hypothetical job vacancies in the restaurant sector and asked to state their willingness to apply to each given job. We conveyed the ethnicity and sex of the fictitious employers in each vacancy using typical male and female Swedish- and Arabic-sounding names.

Our results showed no ethnic or sex discrimination against employers by those seeking employment. However, it bears mentioning that due to our sample being skewed towards young, educated women, the result is likely to be a lower bound of discrimination. We also argue that if participants were asked to state their willingness to apply to the vacancies to earn supplementary income, they may forego their prejudice due to the short-term nature of the employment.

Paper II

Unemployment presents a challenge for both society and for the individual. In most developed nations, one way to alleviate the financial stress the individual experiences is through unemployment insurance benefits. Unlike many other forms of welfare, unemployment insurance benefits often come with expectations that the individual takes part in activities to increase their chances of finding new employment and actively applies to vacant positions. In Sweden, these standards are codified in law and failure to comply can affect the individual's eligibility for further unemployment insurance benefits. Such non-compliance cases are decided by unemployment funds responsible for the payments of these benefits, while the information underlying their decisions is primarily gathered by the SPES.

Paper II includes two survey experiments conducted at the SPES. The first experiment involved 1,245 case workers determining whether to

investigate 19 non-compliance scenarios further. The second experiment involved 148 control administrators deciding whether to forward non-compliance cases to the unemployment funds in 16 cases. Like in paper I, the ethnicity and sex of the treatment groups were conveyed using typical Swedish and Arabic-sounding male and female names.

We found no bias in the decisions made by case workers and control administrators at the SPES. A likely mitigator of discrimination is a strict adherence to the legal framework at the foundation of the SPES' decision-making processes in cases of non-compliance.

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Papers

The papers associated with this thesis have been removed for copyright reasons. For more details about these see:

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