SYMPOSIUM
Race, Gender, and Discrimination

The Papers

Peter A. Riach
and Judith Rich
An Investigation of Gender Discrimination in Labor Hiring

Philip Moss
and Chris Tilly
Skills and Race in Hiring: Quantitative Findings from Face-to-Face Interviews

Jennifer M. Mellor
and Elizabeth A. Paulin
The Effects of Gender and Race on Salary Growth

Invited Comments

Solomon Polachek
and Phillip Nelson
Discerning Discrimination: Does Interviewing Firms Make a Difference?

Introduction

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Monmouth College

The sharp rise of poverty and income inequality in the United States since the 1970s has received considerable scholarly attention as of late (Papadimitriou and Wolff, 1993; Danziger and Gottschalk, 1995; Federal Reserve Bank of New York, 1995). Although many authors cite discrimination against women and minorities as a major cause of this phenomenon, and as a major cause of rising black poverty and the feminization of poverty (Peterson, 1987; Sawhill, 1976), their arguments have failed to convince most economists.

While people are by nature difficult to convince, the disagreements in this case seem to stem more from methodological problems than from the difficulties economists have in parting with their preconceived viewpoints. Studies of labor market discrimination usually develop models to explain wage differentials that rely primarily on human capital variables put into a production function that includes (implicitly, if not explicitly) some measure of aggregate capital. Discrimination is then taken to be the portion of wage differentials not explained by these models.

This procedure is objectionable on both empirical and theoretical grounds. First, the measure of discrimination includes all factors that affect wages but are omitted from the model; it thus equates discrimination with all the unknown factors that determine wages. Even more objectionable is the fact that these studies include age,
race, and gender in their wage model. This means that the regression coefficients for these variables should capture any discrimination based upon these factors. To be highly charitable, also calling the regression residuals "discrimination" constitutes double counting; to be less charitable, it is proof that if you torture your data long enough it will eventually confess.

Second, as is known in theory but ignored in practice, there are serious logical problems with production functions containing an aggregate measure of capital, and with the marginal productivity theory of distribution upon which these studies are based [Harcourt, 1972].

Third, within the neoclassical framework itself, employing marginal productivity theory to study labor market discrimination is internally inconsistent. Marginal productivity theory, as is well known, applies only in a purely competitive environment. Where monopolistic elements exist, marginal productivity cannot explain individual incomes or the distribution of incomes, since the aggregate value of output exceeds the sum of all marginal productivities. Yet it is also the case that, according to neoclassical theory, discriminatory behavior cannot survive in a competitive environment because discriminators will lose out in the market to non-discriminators [Friedman 1962, Chapter 7; Becker, 1960]. Thus, traditional tests for discrimination rely upon a model that is appropriate only in a competitive situation and then assume the environment is not competitive. Given all these problems, it is no wonder that the numerous studies of labor market discrimination have failed to convince either skeptics or open-minded readers.

The three papers comprising this symposium shun standard tests for discrimination. Instead they seek more direct and experimental evidence of labor market discrimination against women and minorities. All reject the aggregate production function approach. All refuse to equate discrimination with regression residuals. And all look for evidence of discrimination in decisions made by the firm about interviewing job applicants, hiring employees, determining employee wages and promoting employees. As a result, all three papers avoid the usual problems with empirical studies of discrimination.

Peter Rich and Judith Rich employ "correspondence testing" to see whether employers discriminate against women when deciding who should receive a job interview. In response to newspaper advertisements, the authors sent two job applications that were similar in all respects except for the gender of the applicant. Gender discrimination is defined by the authors as "differential treatment" of the male and female applicants -- either inviting one applicant for a job interview but not the other, or in a few instances inviting one applicant for an interview several days before the other applicant.

Rich and Rich find discrimination in 28 percent of the occasions where at least one applicant was invited for a interview. Moreover, females applicants are more likely to be discriminated against than male applicants. Females are discriminated against 17 percent of the time, whereas males are discriminated against only 12 percent of the time. This difference is statistically significant at the .05 level.

Finally, Jennifer Mellor and Elizabeth Pauln look at how race and gender affect pay and promotion decisions. One issue with which they are particularly concerned is occupational sex segregation --- the high concentration of women in certain jobs. Mellor and Pauln seek to determine if this affects individual pay increases. Their study focuses on a single firm in the financial services industry over a three-year period. Because their firm data includes information regarding employee performance, they are able to control for the effects of perceived performance on the job on pay increases and promotion.

Mellor and Pauln develop an economic model to predict salary growth and promotion, and then use this model to test for gender and racial bias in firm decisions regarding pay increases. The empirical results of this analysis are mixed. In one branch of the firm, working in jobs with a high proportion of females and/or minorities negatively affects salary growth. In a second branch, no evidence could be found that the racial or gender composition of an occupation affects pay increases. Attempting to explain these results, Mellor and Pauln consider several alternatives. One possibility is that discrimination, and its effects on pay, may be declining at different rates in different geographic areas. If true, the economic future of women and minorities appears to be brighter --- at least for those women and minorities who are able to get jobs.

Taken together, these three papers perform two noteworthy services. They approach the study of discrimination in innovative ways that avoid the problems of the more established methodology. More importantly, they also broaden the scope of inquiry into discrimination by including more stages of labor market activity.

In another context, Richard Nelson (1981) tells the story of a drunk who lost his watch at night by the side of the road, and spent the night looking for it underneath the nearby lampost. When asked why he was looking for his watch in a place he
knew he had not dropped it, the drunk responded that under the lamppost "at least there was light." Like the drunk, economists have for too long been looking for discrimination in all the wrong places. It is hoped that this symposium broadens the radius of illumination.

NOTES

The papers in this symposium were originally presented at the 1984 meetings of the Eastern Economic Association. Retrospective and excellent comments were provided by Lynn Burbridge, Tom Michi and Michael Nagle.

REFERENCES


AN INVESTIGATION OF GENDER DISCRIMINATION IN LABOR HIRING

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INTRODUCTION

In his Presidential Address to the American Economic Association in 1970, Wassily Leontief lamented the lack of a tradition of direct data generation in economics. He also criticized the excessive reliance by economists on indirect statistical inference.

Devising a new statistical procedure, however tenuous, that makes it possible to squeeze out one more unknown parameter from a given set of data is judged a greater scientific achievement than the successful search for additional information that would permit us to measure the magnitude of the same parameter in a less ingenious, but more reliable way [Leontief, 1971, 3].

More recently Morgan [1988] documented that economists were less likely to engage in direct data collection than other social scientists. Morgan calculated that during the 1982 to 1986 period, 10 percent of the articles in the American Political Science Review and 23 percent of articles in the American Sociological Review were based on data generated by the author. The equivalent figure for the American Economic Review was only 5 percent. Similarly, economists' inordinate reliance on the application of regression analysis to published data of uncertain quality, in preference to the time-consuming task of constructing their own data sets, was a recurring theme in the special centennial survey issue of the Economic Journal published in Myer 1991.

In analyzing labor market discrimination this penchant for published data and regression analysis involves the inference of discrimination from differences in the labor market outcomes of the sexes, or the races, which cannot be attributed to productivity-determining variables, such as education and experience. "In crude terms, for economists evidence of discrimination merely requires the presence of 'unexplained' differences in compensation or employment" [Ashenfelter and Oaxaca, 1987, 233]. This approach has led to an emphasis on supply-side variables to explain occupational segregation and lower pay for women. The supply-side orientation of the regression technique was demonstrated by Gunderson [1989] in an extensive review of statistical studies of male-female wage differentials. He listed the following indepen-