

**Discrimination in Low-Wage Labor Markets:
Evidence from an Experimental Audit Study in New York City**

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This study considers the implications of three distinct trends for the prevalence of discrimination against young men in low-wage labor markets. Rising inequality, sharply increasing incarceration rates, and growing numbers of immigrants each contribute to a population of low-wage workers with characteristics very different from those who may employ them. The low levels of trust characteristic of these employment relationships may be associated with discriminatory hiring practices that limit the employment opportunities available to certain groups of workers.

Little is known about the extent of employment discrimination against minorities and criminal offenders. Vast disparities can be observed in employment rates by race, ethnicity, and incarceration status (Freeman & Holzer, 1986; Western & Pettit, 2000), but the causes of these disparities remain controversial. Unobserved skill differences and the self-selection of workers into segregated labor markets prevent us from directly comparing the outcomes of various groups using standard data sources. Likewise, most recent research debating the effects of race discrimination or criminal stigma has studied the labor market fortunes of workers, rather than the hiring behavior of employers. Without observing discrimination directly, it is difficult to make causal statements about the nature or magnitude of the barriers to employment for disadvantaged groups.

Our paper reports new results from a novel study of employers, reporting the reactions to minority and formerly-incarcerated job seekers. Using an experimental audit methodology, we sent teams of male testers with equivalent resumes to apply for entry-level jobs in New York City. Testers were matched on the basis of age and appearance; after selection, they participated in extensive training to ensure consistency in their interactions with employers. The testers used fictitious matched resumes reflecting equal levels of education and work experience. In several of the teams, the resumes also reflected evidence of an 18-month term of incarceration. Testers within teams rotated which member of the team served in the criminal record condition to control for unobserved differences within tester pairs that could affect hiring outcomes. Because testers are given equivalent resumes, and criminal conviction status is randomly assigned, the unobserved heterogeneity that typically plagues studies of workers is minimized in this experimental setting.

The audit study began in February 2004, employing a dozen different black, white, and Latino testers, in 14 experimental conditions. By the completion of our data collection (October 2004), will have audited over 1000 employers. After each visit to an employer, testers complete a detailed debriefing form to record their interactions. Voicemail boxes also record whether employers called back testers to make job offers or schedule second-round interviews, with additional voicemail boxes set up to record calls to references. This study represents the largest and most complex audit experiment ever conducted in a single field site.

With a majority of our data collection complete, we are able to report some preliminary results for four of our six audit teams. Table 1 reports the percentage of callbacks and/or job offers received from employers following job interviews with matched white, Latino, and black applicants. These results demonstrate a clear racial hierarchy with white applicants at the top, followed by Latinos, and blacks at a distant third (the black-white difference in response rates (7.9 percentage points) is statistically significant).

This first set of results tests a standard racial hierarchy, with the white applicant serving as a benchmark against which to measure variation in racial ethnic discrimination. The results presented in Table 2 now change the benchmark to a white applicant with a felony conviction. In this set of audits, our white tester presented evidence of a recent felony drug conviction; his black and Latino test partners presented equal qualifications but no criminal history. This table presents the striking result that a felony conviction confers roughly the same penalty to job applicants as does minority status. The positive response rates received by each of these groups are statistically indistinguishable.

Finally, table 3 compares the effect of a felony conviction for black and white job applicants. To study criminal stigma, we sent teams of two whites or two blacks to apply for jobs, randomly assigning a resume with a criminal conviction within each team. The results indicate a significantly lower fraction of callbacks and job offers were received by testers presenting a criminal record. Further, the criminal record effect appears substantially larger for blacks than whites (11.2 compared to 6.1 percentage), although this difference in the magnitude of effects is not statistically significant.

These results indicate that employers do treat job seekers differently on the basis of race and criminal record, even relative to otherwise equally qualified applicants. These findings are consistent with the hypothesis that employer discrimination along the lines of race, ethnicity, and criminal conviction status remains a salient source of inequality in contemporary urban labor markets.

Upon the completion of our data collection, there are numerous additional questions we plan to address. First, an additional two testers pairs are being used to investigate whether improving the educational credentials of former inmates can in part reduce the negative effects of criminal stigma. In these pairs (one white pair and one black pair), the applicant posing as the ex-offender presents evidence of an Associates Degree. We will compare the outcomes of these teams to the original tester teams in order to assess whether (and how much) an advanced educational credential can improve the relative outcomes of ex-offenders.

Second, the audit data are rich with qualitative information that will allow us to contextualize the differential treatment we observe. Testers often write pages of narrative following their visits to employers, recounting in great detail the characteristics of the employer, the content of their interaction, and their impressions of the visit. These narrative descriptions (in addition to information from the 4 pages of close-ended questions testers complete following each audit) can be used to better understand how

employers gather information about entry-level job applicants, and what sorts of micro-level interactions work to produce (or reflect) discrimination.

And finally, the information about employers coded by testers after each interview can be used to analyze the audit outcomes in a multivariate framework. In these analyses, we can assess the effects of race of employer, occupation, industry, firm size, the use of tests, and a multitude of other job/employer characteristics. We can also better control for possible tester, period, and job source fixed effects. These analyses will move us toward a better understandings of the contexts in which discrimination is most likely to occur.

The continuing significance of race in contemporary labor markets is hotly contested among academics and policy makers. Unfortunately, little hard evidence is available to adjudicate among competing claims. The present study represents one attempt to move beyond rhetoric by providing solid empirical measurement of this important social process. Our preliminary evidence suggests that direct discrimination does indeed remain a significant barrier to employment for ex-offenders and minority men. In our upcoming analyses, we hope to better explain where and how this discrimination comes into play.

Table 1. Percentage of positive responses (callbacks or job offers) received by white, Latino and black testers (no criminal record).

	Positive Responses (%)	Diff. From Whites (s.e.)	N
Whites	24.3	-	239
Hispanics	21.3	2.9 (2.0)	239
Blacks	16.3	7.9 (2.6)	239

Table 2. Percentage of positive responses (callbacks or job offers) received by white ex-offenders relative to Latino and black non-offenders.

	Positive Responses (%)	Diff. From Whites (s.e.)	N
White ex-offender	12.9	-	240
Hispanic non-offender	13.3	.4 (2.4)	240
Black non-offender	9.2	-3.7 (2.3)	240

Table 3. Percentage of positive responses received ex-offenders and non-offenders, by race.

	Whites	Blacks
Non-offenders	19.3%	20.1%
Ex-offenders	13.2	8.9
Difference (s.e.)	6.1 (2.5)	11.2 (3.0)
N	197	179