

labor market. The causes of these inequalities are diverse. They are cultural, legal, institutional, political, and economic. They call for ambitious policies, adjusted to national contexts.

303 **6. Diversity and discrimination in the labour market [24]**

304 **6.1 Introduction**

305 While diversity in the labour market is not new, increasing rates of paid employment by women, migration, an ageing workforce and a focus on disability have led to a growing research interest for labour market diversity. One issue is whether diversity in the labour market is good or bad for economic and social outcomes. Another important question relates to individual outcomes and how individuals from different groups - women, men, immigrants, natives, ethnic minorities, old, young, those with a disability, or a different sexual orientation - fare in the labour market. Do modern labour markets offer 'good jobs for all'- or just for those with the 'right' skin colour, gender or age? Having access to a paid job is crucial for financial security of the individual and their family. Of course, there will always be differences in access to good jobs due to differences in individual's skills. Yet some groups experience discrimination: they are treated differently in access to jobs and in their working conditions not because of their productivity, that is 'what they can do', but because of their group membership, that is 'who they are'. To the extent that some groups are discriminated against, this is inimical to social progress. Having individuals assigned jobs below their potential is also economically inefficient (OECD 2008).

306 This section reviews the evidence on diversity and discrimination. It is divided into four sub-sections. The first will present some international statistics on changing patterns of labour market diversity, focusing particularly on gender, age and birthplace. The second section will review the literature on the costs and benefits of diversity. The third section will focus on discrimination in the labour market, discuss the challenges of measuring discrimination and examine different dimensions of discrimination. The fourth section will consider some policy responses to discrimination and their effectiveness.

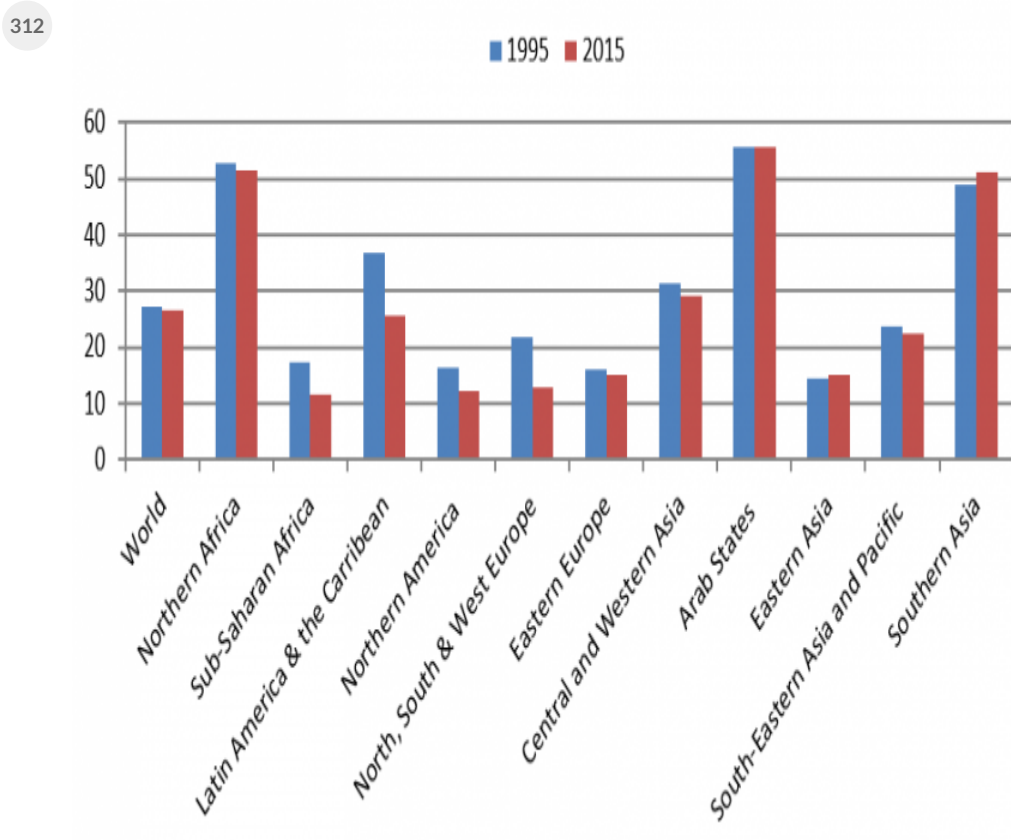
307 **6.2 Changing patterns of diversity in the labour market**

308 This section aims to give a flavour of world variation and change over time in three key elements of labour market diversity: participation rates of men and women; migrants and non-migrants and the proportion of older workers. They are based on data from the International Labour Organization (ILO) and cover 11 world regions (see OECD 2016 for regional groupings).

309 ***Labour market participation of men and women***

310 Figure 9 presents gender gaps in labour force participation rates by region, 1995 and 2015. In all regions, women’s participation is lower than men’s, though the gap in participation varies considerably across regions. There are very high gender gaps in Northern Africa, the Arab States and Southern Asia. The reasons for women’s lower participation are myriad, and include their role in unpaid labour and childrearing, policies around parental leave, childcare and working-time flexibility, taxation, gender differences in education in some countries and also cultural norms and attitudes to women’s employment and women’s roles (Jaumotte 2003).

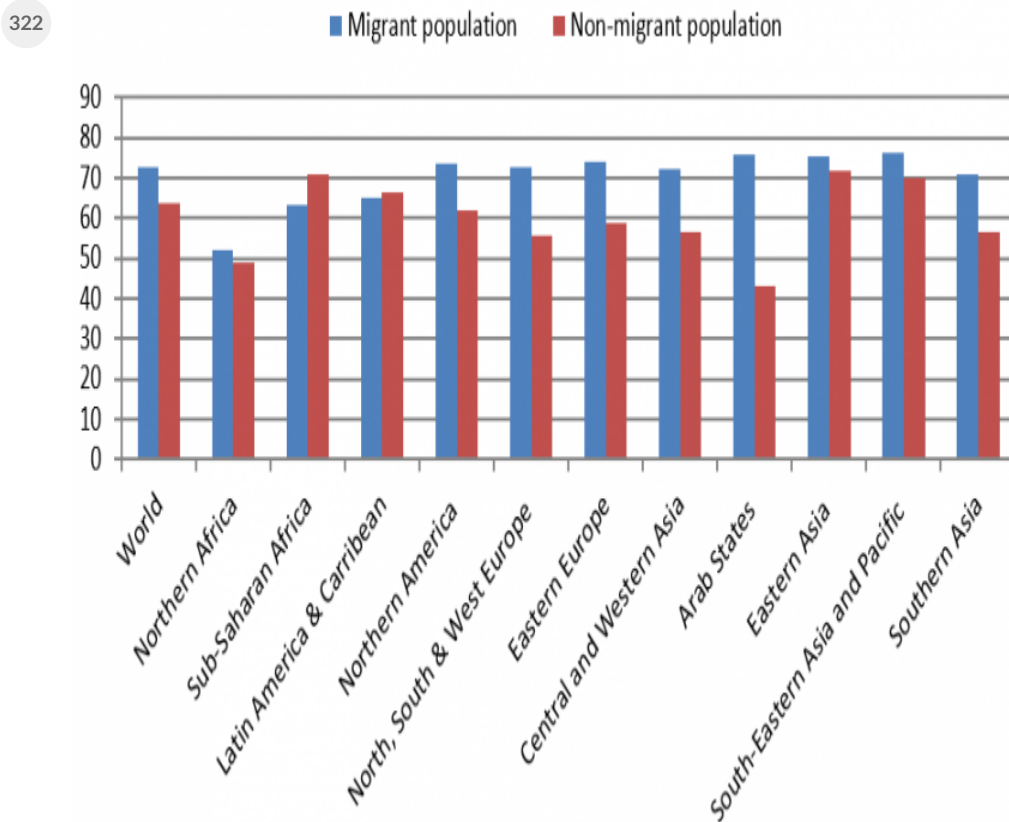
311 **Figure 9: Gender gaps in labour force participation rates by world region, 1995 and 2015**



313 Note: The gender gap is measured as the male participation rate minus the female participation rate. The data cover 178 countries.

- 314 Source: *ILO Key Labour Market Indicators, derived from Trends Econometric Models, November 2015*
- 315 In North America and Northern, Southern and Western Europe, the gender gaps have fallen somewhat in the past twenty years. In these countries women's participation rose steadily over the twentieth century, particularly in the United States (Blau et al. 2006). But in the past 20 years the gap has narrowed because men's participation has fallen in the recession more than women's participation (see Karamessini and Rubery 2014).
- 316 In general the gender gap is lowest in higher income countries, though with some notable exceptions: the Arab States, where income is higher but the gap very large, and also in Sub-Saharan Africa, where the gap is among the lowest of the world regions. ILO (2016) attributes this low gap in the Sub-Saharan Africa to the lack of social protection income and persistent poverty, leaving women with no alternative but to work. And of course the nature of employment is important: in sub-Saharan Africa and Southern Asia, most working women are self-employed and a large proportion of them work as contributing family workers (34.9 per cent in sub-Saharan Africa and 31.8 per cent in Southern Asia) (ILO 2016).
- 317 Sectoral and occupational segregation - the type of jobs men and women do - contribute considerably to gender gaps in job quality and the gender wage gap (Blau and Kahn 2007; Burchell et al. 2014). Agriculture employs most women in low to middle income countries; in high income countries women are concentrated in health and education, wholesale and retail trade sectors. To the extent that women are disproportionately concentrated in lower quality jobs, this may be additional source of inequality in the workplace.
- 318 An important reason for differences in paid work is that women do much more unpaid work, in the form of childcare, eldercare, housework, collecting fuel and water. Globally women spend two and a half times as much as men on unpaid labour (UN 2015, from time-use data); in India and Pakistan women spend ten times as much as men on unpaid work (McKinsey Global Institute 2015).
- 319 ***Migrant Workers***
- 320 According to recent ILO estimates, there were around 232 million migrants in the world, of which 150 million were migrant workers (ILO 2015d). Estimating the number of migrants is challenging, particularly when there are large population fluctuations or difficulties carrying out large-scale surveys (ILO 2015d).

321 **Figure 10: Labour force participation rates by world region for migrant and non-migrant populations, 2013**



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324 Source: *ILO Global Estimates on Migrant Workers, 2015d, Table 2.8*

325 Figure 10 presents labour market participation rates for migrant and non-migrant populations in world regions. In most regions of the world, migrants' labour market participation is higher than that of non-migrants, partly because of the younger age profile of migrants but also because many migrants migrate in order to work. Of course the proportion of migrant workers in the workforce also varies across countries – from less than three per cent in much of Africa, Latin America and South and East Asia, to around 20 per cent in Northern America, 16 per cent in Northern, Southern and Western Europe and 35 per cent in the Arab states (ILO 2015d). The definition used here is migrants, that is those born abroad, some of whom may be from ethnic minorities, but does not capture second-generation ethnic minorities. Ethnic minorities typically show lower labour market participation in European countries (Heath and Cheung 2007).

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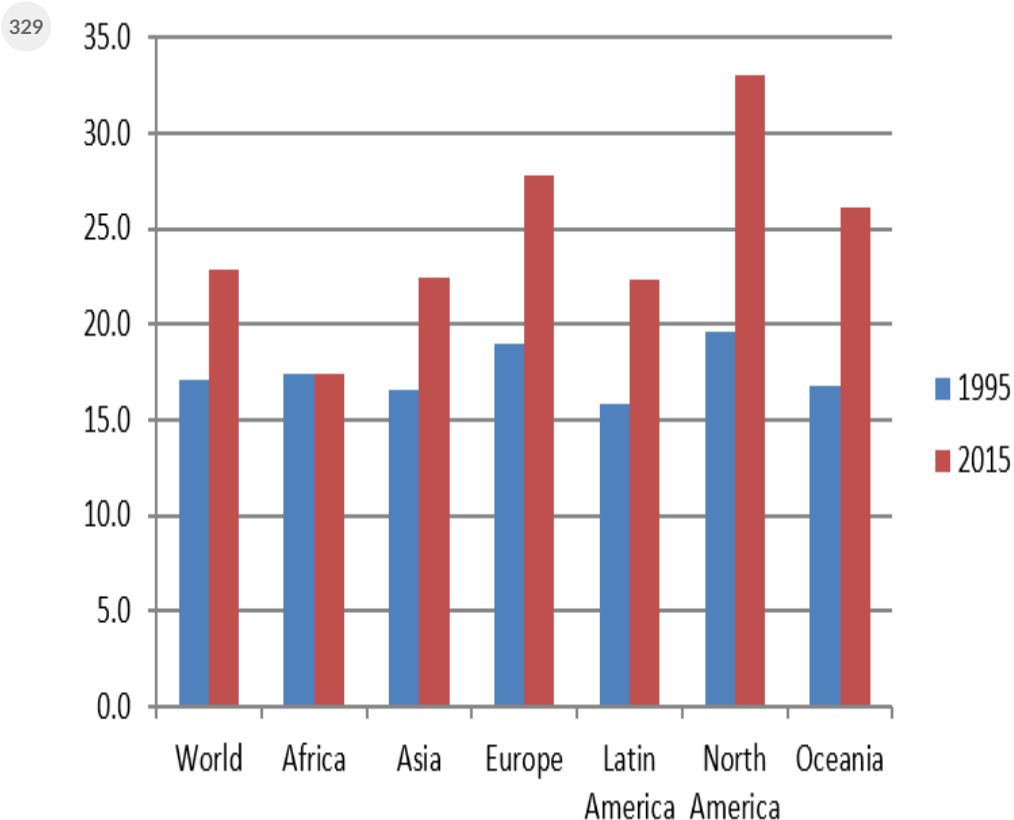
Older Workers

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There has been much recent concern about youth unemployment, particularly in Europe (Bell and Blanchflower 2011), and indeed some suggestion that early retirement of older workers might reduce youth unemployment in some European countries (Zimmermann et

al. 2013).[25] In fact there is an increasing trend towards an ageing workforce. Figure 6.3 presents the proportion of the labour force aged 50 or over by continent in 1995 and 2015, and shows a rise in the proportion of over 50 year olds in almost all regions. The increase between 1995 and 2015 is particularly marked in North America, Latin America and Oceania (see Figure 11). By contrast in Africa the proportion of the labour force aged 50 and more has remained low. A number of factors underlie this general trend towards an older workforce. In some countries, particularly in Europe and the US, the population itself is ageing, so there is a lower proportion of younger workers. There has also been an increase in education participation among under 25s in many countries, reducing this age group's labour market participation. It does raise issues about the treatment of older workers in the labour market in terms of age discrimination, and health issues, which are more prevalent among older workers, also come to the fore (see also the subsequent section of this chapter).

328 **Figure 11: Proportion of the labour force aged 50 or over, 1995 and 2015**



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331 Source: Own calculations from the ILO dataset EAPEP World Regions 1990-2020. These data cover 191 countries

332 **6.3 Diversity and economic outcomes**

- 333 In this section we refer to diversity as to a characteristic of a population, which can be diverse along a number of dimensions: age, gender, ethnicity, place of birth, genetic makeup, religion, or any other physical or cultural trait. The main dimensions of diversity that have been considered in the literature on diversity and growth are ethno-linguistic diversity and, more recently, genetic and birthplace diversity. While the first two are quite persistent (i.e., evolve very slowly over time) at the level of countries, the last one can be changing more rapidly in a context of sustained immigration. And indeed, population heterogeneity in terms of birthplaces is increasing in virtually all advanced economies due to immigration. Foreign-born individuals now represent about 10 % of the workforce in OECD countries, a threefold increase since 1960 and a twofold increase since 1990. This is even more pronounced for the part of the workforce which is highly-skilled (i.e., workers with college education).
- 334 What are the economic implications of higher diversity? Theory suggests that diversity has both positive and negative economic effects. The former are due to complementarities in production, diversity of skills, experiences and ideas. The latter arise from disagreements about public policies, animosity between different groups and conflict.
- 335 While most of the economic and sociological literature have pointed to generally negative effects of ethno-linguistic or racial diversity at different levels of observation (countries or subnational entities such as US States or counties), the literature on genetic and birthplace diversity show a different picture. Similarly, the micro-level analyses investigating the role of diversity in the context of firms/plants/teams are also more balanced.
- 336 ***Measuring diversity***
- 337 Diversity is usually measured through fractionalization indices such as the Herfindahl index, computed as one minus the sum of the square shares of each sub-group in the population. The index ranges between zero (in case there is only one homogenous group) and one (in case the population at hand consists of a myriad of small sub-groups) and in effect gives the likelihood that two randomly drawn individuals from the population belong to different sub-groups. Such Herfindahl indices have been proposed for ethnic fractionalization (Easterly and Levine 1997; Alesina et al. 2003; Fearon 2003), linguistic diversity (Desmet et al. 2012), or birthplace diversity (Alesina, Harnoss and Rapoport 2016). Another common indicator is the polarization index, the product of all group shares, which reaches

maximum value when there are only two groups of equal size (see Esteban and Ray 1994, Reynal-Querol 2002, and Montalvo and Reynal-Querol 2005 for ethnic polarization indices).

338 ***A macro view on diversity***

339 Equipped with these indicators, economists and political scientists have introduced them in cross-country regressions of economic performance and found mixed results, depending mostly on the dimension – ethnic, genetic or birthplace -- of diversity that is investigated.

340 **A. Ethnic fractionalization and racial diversity**

341 The literature on ethnic diversity and economic performance generally found a negative relationship between ethno-linguistic fractionalization and growth/development. For example, Easterly and Levine (1997), show that ethnic fragmentation is associated with lower economic growth, especially in Africa. Collier (1999, 2001) adds that ethnic fractionalization is less detrimental in the presence of democratic institutions, which enable different groups to mediate conflicts on the provision of public goods and create social cohesion. It is, however, unclear if this observation is not a corollary of higher income, as shown in Alesina and La Ferrara (2005). Fearon and Laitin (2003) add that ethnic diversity alone is not sufficient to explain the outbreak of civil war.

342 Alesina and Zhuravskaya (2011) stress the negative effect of ethnic segregation on the quality of government, while Alesina et al. (Forthcoming) highlight the detrimental effects of “ethnic inequality” (i.e., when economic inequality and ethnic diversity go hand-in-hand). Esteban *et al.* (2012) distinguish conflicts over public and private goods and find polarization to correlate positively with conflict on the former, and fractionalization to correlate positively with the latter (see also Esteban and Ray 2011).

343 At lower levels of aggregation, Putnam (1995), and Alesina and La Ferrara (2000, 2002) stress the role of trust, showing that individuals in racially diverse cities in the US participate less frequently in social activities and trust their neighbors to a lesser degree. The authors also find evidence that preferences for redistribution are lower in racially diverse communities. This also extends to the provision of productive public goods (Alesina et al. 1999).

344 **B. Genetic diversity**

345 Ashraf and Galor (2013) introduce a new dimension of diversity, namely, intrapopulation genetic heterozygosity. Genetic diversity is found to have a long-lasting effect on population density in the pre-colonial era as well as on contemporary levels of development. More specifically, the authors find an inverted u-shaped relationship between genetic diversity and income/productivity.

346 C. Birthplace diversity

347 Most recently, Alesina, Harnoss and Rapoport (2016) propose a new index of diversity based on people's birthplaces. People born in different countries are likely to have different productive skills because they have been exposed to different life experiences, different school and value systems, and thus have developed different perspectives that allow them to interpret and solve problems differently. If early pre-working age years are formative for one's own values, perspectives and problem solving skills, these differences are more likely to be complementary and lead to higher overall productivity gains than for other dimensions of diversity. Indeed, ethno-linguistic, genetic and birthplace diversity differ conceptually because people born in different countries are likely to have been educated in different school systems, learned different skills, and developed different cognitive abilities. Intuitively, this may not be the case for people of different ethnic or genetic origins who were born, raised and educated in the same country. The authors find that, empirically, ethno-linguistic, genetic and birthplace diversity are almost completely uncorrelated. Most importantly, they differ economically in that ethno-linguistic fractionalization turns out either negative or non-significant while birthplace diversity remains robustly positively related to long-run income even after controlling for many covariates. This positive relationship is stronger for skilled migrants in richer countries and is economically, not just statistically significant. Increasing the diversity of skilled immigrants by 1 percentage-point is shown to raise long-run output by about two percentage points. Moreover, Alesina *et al.* (2016) address endogeneity issues by specifying a gravity model to predict the size and diversity of a country's immigration; finally, they allow the effect of diversity to vary with bilateral cultural distance between immigrants and natives, the results being suggestive of optimal diversity at intermediate levels of cultural distance.

348 ***A micro view on diversity***

349 This mostly macro literature is completed by a series of studies especially in the field of management at the "team" level and, more recently, in the field of the economics of firms and productivity. Most management studies found diversity to be a double-edged sword, with diversity being often beneficial for performance but also

decreasing team cohesion and increasing coordination costs (e.g., O'Reilly et al. 1989, Milliken and Martins 1996). A study on productivity in the airline industry, by Hambrick *et al.* (1996), found that management teams which are more heterogeneous in terms of education, tenure and functional background react more slowly to a competitor's actions, but also obtain higher market shares and profits than their more homogeneous competitors. In a recent experimental study, Hoogendoorn and van Praag (2012) set up a randomized experiment in which business school students are assigned to manage a fictitious business and increase outcome metrics like market share, sales and profits of their business. The authors find that more diverse teams (defined by parents' countries of birth) consistently outperform more homogeneous ones, but only if the majority of team members is foreign. Finally, Kahane *et al.* (2013) use data on team composition of NHL teams in the U.S. and find that teams with higher share of foreign (European) players tend to perform better. They attribute this finding both to skill effects (better access to foreign talent) and to skill complementarities among the group of foreign players; however, when players come from too large a pool of European countries, team performance starts decreasing.

350 Turning to economic analyses of diversity at the firm or plant level, it is fascinating to see that their results tend to support the conclusions from the cross-country studies on ethnic v. birthplace diversity, with generally negative outcomes for the former and positive ones for the latter. For example, Hjort (2014) analyzes productivity at a flower production plant in Kenya and uses quasi-random variation in ethnic team composition as well as natural experiments in this setting to identify productivity effects from ethnic diversity in joint production. He finds evidence for taste-based discrimination between ethnic groups, suggesting that ethnic diversity, in the context of a poor society with deep ethnic cleavages, affects productivity negatively. Brunow *et al.* (2015) analyze the impact of birthplace diversity on firm productivity in Germany. They find that the share of immigrants has no effect on firm productivity while the diversity of foreign workers does impact firm performance positively (as does workers' diversity at the regional level). These effects appear to be stronger for manufacturing and high-tech industries, suggesting the presence of skill complementarities at the firm level as well as regional spillovers from workforce diversity. Parrotta *et al.* (2014) use a firm level dataset of matched employee-employer records in Denmark to analyze the effects of diversity in terms of skills, age and ethnicity on firm productivity. They find that while diversity in skills increases productivity, diversity in ethnicity and age decreases it. They interpret this as showing that the costs of ethnic diversity outweigh its benefits. Interestingly, they also find suggestive evidence that diversity is more valuable in problem-solving oriented tasks and in

innovative industries. Ozgen *et al.* (2013) match Dutch firm level innovation survey data with employer/employee records and find that the diversity of immigrant workers increases the likelihood of product and process innovations. Boeheim *et al.* (2012) find further micro level evidence for the presence of production function complementarities using a linked dataset of Austrian firms and their workers during the period 1994–2005. Workers' wages increase with diversity and the effect is stronger for white-collar workers and workers with recent tenure.

351 **6.4 Discrimination in the labour market**

352 Discrimination in the labour market is defined as a situation in which equally productive individuals are rewarded differently due to their membership to different groups[26]. It can be “taste-based”, to the extent that the taste or distaste of economic agents (consumers, workers, employers) toward various groups influence recruiters' hiring decision (Becker 1957). It can also be “statistical”: in the absence of precise information about candidates' productivity, recruiters rely on their group membership as soon as it correlates with not easy-to-observe productive characteristics (Arrow 1973; Phelps 1972). In this context, atypical individuals from the disadvantaged groups are discriminated against, which can lead to a self-reinforcing vicious circle if such discrimination discourages them from acquiring productive skills and or maintaining them.

353 This section reviews the methods used to measure discrimination in the labour market and the extent to which such discrimination occurs. It mainly focuses on modern labour markets due to the scarcity of evidence in more traditional ones.

354 It is important to bear in mind that how important group membership is in the labour market is not constant over time or across space. What it means to be Black or Muslim or female or an older worker can be very important in some countries and irrelevant in others. Why is this the case? Recent studies have highlighted the importance of symbolic boundaries to distinguish between ‘us’ and ‘them’ (Bail 2008). Wimmer (2008) argues that boundary making is not fixed, but a result of a struggle between social actors, influenced by institutions, the distribution of power and political networks. Past practices, legal rules, social attitudes, the media portrayal of certain groups and the actions of political elites can all contribute to this ‘boundary making’. Yet even when group boundaries and group identity are very important, whether this translates into labour market discrimination is not given. Actors operate in social settings: strong norms of equality, profit motivation, diversity training may mean that employers do not discriminate (McGinnity and Lunn 2011). Country-level policies and practices may contribute to the

systematic disadvantage of certain groups, or alternatively to 'levelling the playing field' (Pager and Shepherd 2008). These policies and practices are discussed in more detail in section 6.5.

355 ***Measuring discrimination***

356 Discrimination in the labour market can be proxied by examining legal cases and/or individual self-reports. But it is more accurately measured by relying on observational or, even better, experimental data.

357 A. Legal Cases and self-reports of discrimination

358 There is a growing spread of anti-discrimination legislation across countries, and one potential way of measuring discrimination is to count the number of successful complaints within a given jurisdiction and measure trends over time. However, this is far from an accurate measure of the incidence or prevalence of discrimination, as taking such a case is very costly for individuals and many people never take a case to court or a tribunal. The number of successful cases are often very low and represent the 'tip of the iceberg' (OECD 2013). An alternative method of measuring discrimination is to ask individuals themselves whether they have experienced discrimination, typically over a specified period of time, for example in job applications or in the workplace, on the grounds of race, ethnicity, gender, age, disability, sexual orientation (Pager and Shepherd 2008). If conducted as a large population survey, the strength of this method is the breadth of groups and situations covered, and the representative nature of responses. Follow-up questions can be asked about the impact of discrimination, minority responses can be compared with majority responses and the method can be used to track change over time (Kingston et al. 2015). However, self-reports rely on the assessment of the individual, which may vary depending on their perspective, their expectations and the information available to them about, for example, why they did not get the job.

359 B. Observational data

360 Relying on observational data entails decomposing participation or wage differentials across groups into an "explained" gap (driven by differences in observable characteristics of the groups, like education or experience, holding their return constant) and an "unexplained gap" (driven by group differences in returns, holding their observables constant). This latter component is meant to capture discrimination (Oaxaca (1973) and Blinder (1973)). Yet, this method suffers from two main drawbacks. First, however rich they might be, observational data do not allow researchers to control for all the determinants of a worker's productivity: the unexplained gap

therefore encompasses unobserved differences between the groups, for example motivation, which generates an upward or a downward bias in the estimation of discrimination (depending on the sign of differences in unobservables across groups). Second, if the expectation of discrimination deters investment in human capital, such as education or training, part of the impact of discrimination is captured by the explained gap, meaning that its unexplained counterpart underestimates the true value of discrimination.

361 C. Experimental data

362 Three experimental approaches have been used to more convincingly test for the extent of discrimination in the labour market: audit, blind and correspondence studies.

363 C.1. *Audit studies*

364 Introduced in the early 1990s, labour market audit studies consist of having actors, endowed with identical fictitious resumes and coached to act alike, apply for job postings over the telephone or in person, and/or attend job interviews. Because these auditors are supposed to differ on only one dimension, viz. their group membership, discrimination is measured by comparing the callback and/or offer rates across groups. Although audit studies provide more compelling evidence on discrimination than do regressions from observational data, they are not devoid of weaknesses. First, despite efforts to match auditors on several characteristics, differences that are potentially critical for employers inevitably remain. Second, auditors obviously know the purpose of the study. This can lead them to consciously or subconsciously behave in a way consistent or inconsistent with their beliefs about how employers treat different groups.

365 C.2. *Blind studies*

366 Shortcomings of audit studies can theoretically be overcome by “blind” studies. These studies entail analysing the behaviour of recruiters, depending on whether they observe the group membership of the applicants or not. For instance, Goldin and Rouse (2000) estimate the impact of the gradual adoption of blind auditioning by US orchestras during the 1970s and 1980s. Yet, recruitment practices that allow observing a candidate’s productivity while his/her group membership is concealed hardly exist. The anonymous CV constitutes an exception. Although no government has enforced it, this procedure has recently been evaluated in various European countries (Rinne 2014). However, these experiments show substantial shortcomings that make their results at best impossible to generalize, at worst questionable. More

precisely, in the experiments conducted in the Netherlands (Bog and Kranendonk 2011) and in Sweden (Aslund and Skans 2012), recruiters' assignment to the treatment was not random. By contrast, randomization did occur in the experiment conducted in France by Behagel, Crépon and Le Barbanchon (2015). Yet, participating firms are those that agreed to receive anonymous résumés and, consequently, stand for a very specific sample: compared to those that refused to participate, they treat minority candidates more favourably than majority candidates with the regular, name-bearing résumés. Consequently, the authors obtain the surprising result that anonymization widens the gap in callback rates instead of reducing it: the callback rate of minority candidates decreases, while that of majority candidates increases. As for Krause, Rinne and Zimmermann (2014), they randomly anonymize applications of PhD economists for a post-doctoral position at a European-based economic research institution. Here again, despite the random assignment of the treatment, it is impossible to generalize the results given the lack of representativeness of the participating institution.

367 C.3. Correspondence studies

368 In the absence of easily implementable blind studies, correspondence studies have imposed themselves as the most promising approach. Introduced by Jowell and Prescott-Clarke (1970), this method consists of comparing the callback rates of fictitious applicants who are identical in every respect save their group membership. In comparison to their audit counterparts, correspondence studies permit greater comparability across groups of applicants together with lower room to conscious or subconscious deviations from the experimental setup. Yet, they show some limitations (Rooth 2014). First, by construction, correspondence studies measure discrimination in access to a job interview, not to a job offer. While the results from audit studies suggest that lower callback rates translate into lower offer rates, correspondence studies remain unable to quantify the full extent of discrimination at the hiring stage. That said, evidence from studies conducted by the ILO suggests that most discrimination occurs at the initial stage (i.e. selection for interview), not at the stage 'interview to job offer' (Bovenkerk 1992). Second, correspondence studies do not provide a general picture of discrimination in the labour market (but this critique applies to other experimental approaches as well): (i) they measure discrimination at one point in time and space; (ii) they focus on firms that rely on special channels (want ads in the newspaper or on the internet) to fill specific positions; (iii) they involve fictitious candidates who apply with CV of peculiar quality. Third, like many other experiments, correspondence studies raise ethical issues. They

indeed amount to deceiving employers and wasting their time by sending them fictitious applications they perceive as genuine (Riach and Rich 2004).

369 ***The extent of discrimination in the labour market: evidence from correspondence tests***

370 This section summarises the findings from what is now a large number of correspondence tests in labour markets throughout the world, though most of them have been conducted in developed countries. There are many steps at which employers can discriminate – recruitment, pay, promotion – but recruitment is the most critical: as McGinnity and Lunn (2011) note, if people do not get the jobs in the first place, they will never get paid or promoted. Correspondence studies focus on this very step.

371 **A. Gender**

372 Two regularities can be drawn from correspondence studies designed to identify gender-based discrimination (Riach and Rich 2002, Azmat and Petrongolo 2012 and Rich 2014). First, both sexes are discriminated against when they apply for an occupation that is “stereotyped” for the other sex. As Riach and Rich (2002) emphasize, “this is consistent with the hypothesis that many in society still identify appropriate roles for men and women (...): the supportive and decorative role of secretary being deemed inappropriate for men, whilst the dirty and physical-demanding nature of motor mechanics being deemed unsuitable for women.” More precisely, Rich (2014) notes that studies typically find higher rates of discrimination against men applying for female jobs than women applying for male jobs: this is true in many Western countries and also in a recent test conducted in China (Zhou et al., 2013). As for “mixed” occupations (in fact, occupations with a majority of male workers but nevertheless a significant representation of women), women are favoured over men (Riach and Rich 2006a). This result might translate employers’ attempt to balance the sex ratio in occupations that are not biased in favour of men anymore but that yet remain male-dominated. Testing whether the reverse occurs in “mixed” occupations with a majority of female workers but nevertheless a significant representation of men constitutes an obvious avenue for future research.

373 Second, women are discriminated against for high status jobs, particularly when they are at “risk” of pregnancy or when they face family constraints. As an illustration, Petit (2007) compares the callback rates of single and childless male and female applicants. She finds that women are discriminated against in their access to high-skilled jobs when they are 25, but not when they are 37. By contrast,

they are treated similarly to men when they apply for low-skilled jobs, irrespective of their age. The penalty directed at young single and childless women applying for high-skilled jobs could be due to taste for discrimination (Becker 1957): workers may dislike being supervised by a young woman rather than by a young man or an older, more experienced woman. This penalty could also derive from statistical discrimination (Arrow 1973; Phelps 1972) if young women are considered as being less effective supervisors. But it may also reflect that young women are at a greater risk of career interruptions due to maternity. Such interruptions are indeed particularly costly at high-skilled positions. As an illustration, US study by Correll *et al.* (2007) found that childless women received twice as many callbacks to interview as mothers with equivalent CVs. Fathers were not penalized.

374 B. Age

375 Correspondence studies point to substantial discrimination against older applicants, where “old” can range from late thirties to late fifties. This result does not only prevail in studies that tend to overestimate age-based discrimination by endowing younger and older applicants with similar work experiences (Bendick, Jackson and Romero 1997; Lahey 2008). It is also robust to experimental setups that rely on work experiences commensurate with age (Riach and Rich 2006b; Baert *et al.* 2015; Neumark, Burn and Button 2015). Based on an unprecedented number of job applications (more than 40,000), the study by Neumark, Burn and Button offers the richer set of results. Notably, older women are found to be more discriminated against than older men. This finding, the authors surmise, could reflect that “physical appearance matters more for women” and that “age detracts more from physical appearance for women than for men.”

376 C. Race or ethnicity

377 Studies of labour market discrimination by race or ethnicity have been by far the most common application of correspondence testing to date, and present overwhelming evidence of discrimination on the basis of race/ethnicity in the countries and occupations tested. As Bertrand and Duflo (2016) note, evidence has been accumulated from nearly all continents: Latin America (e.g. Galarza and Yamada (2014) compare Whites to indigenous applicants in Peru), Asia (e.g. Maurer-Fazio (2012) compares Han, Mongolian and Tibetan applicants in China), Australia (e.g. where Booth, Leigh, and Varganova (2011) compare Whites to Chinese applicants), the United States and Canada, and in many European countries, including the UK, Ireland, France, Spain, Belgium, Italy, Sweden, Norway, Denmark, Germany, Austria and many others.

378 Zschirnt and Ruedin (2016) perform a meta-analysis based on 43 correspondence studies conducted in OECD countries between 1990 and 2015 to measure unequal treatment of racial and ethnic minorities. Their results indicate that, on average, minority applicants have to send 50% more applications to be invited for an interview than majority applicants. They also reveal that discrimination is typically highest for people of North African and Middle Eastern origin in European correspondence tests, though ethnic differences in discrimination are sensitive to time and place (Zschirnt and Ruedin 2016). Although there appears to be no systematic differences between the discrimination of minority men and minority women, a gender gap emerges among minority applicants with Arabic-sounding names: Arabic men face stronger discrimination in the labour market than do Arabic women, and higher qualifications do not help them (Bursell (2014) and Arai, Bursell and Nekby (2016)). Higher qualifications did not lead either to a significant improvement in the callback rate to African-Americans compared to White applicants in the USA (Bertrand and Mullainathan 2004). In terms of cross-sectoral variation, Zschirnt and Ruedin (2016) report lower discrimination in the public than in the private sectors, though this issue remains underexplored.

379 D. Religion or belief

380 The particularly strong discrimination directed at people of North African and Middle Eastern origin in OECD countries suggests that the penalty they experience is not only due to their extra-European origin but also to their perceived religious affiliation, Islam. This surmise raises a more general question: are religious minorities discriminated against in Christian-heritage societies? Three correspondence studies, all conducted in France, have sought to address this question. They consist of comparing the callback rates of applicants who are identical in every respect save their perceived religion. Notably, for only the latter to be at play, the national origin of the applicants is held constant. Adida, Laitin and Valfort (2010) focus on female Catholic and Muslim candidates of Senegalese origin, while Pierné (2013) concentrates on male Catholic and Muslim candidates, either of French or of North African origin. Both studies reveal strong religious discrimination: the probability for candidates to be called back is much lower when they are perceived as Muslim rather than Catholic. Valfort (2016) provides a broader picture: she includes both female and male applicants (of Lebanese origin), as well as a second minority religion, Judaism. Based on more than 6,200 job postings, the results confirm that Muslims are discriminated against and reveal that Jews are treated unfairly as well: the probability for Catholics to be invited to an interview is higher by 30% than it is for Jews and by 100% than it is for Muslims, hence twice as high. But, in line with Bursell (2014) and Arai, Bursell

and Nekby (2016), discrimination against Muslims hides a strong gender-based disparity. While the callback rate for Catholic women is “only” 40% higher than that for Muslim women, the callback rate for Catholic men is 4 times higher than that for Muslim men. For the sake of comparison, the intensity of the discrimination faced by male Muslim applicants in France is equal to the penalty that French men of North African experience (relative to French men of French origin), as measured by Duguet *et al.* (2010). It is six times as high as the discrimination directed at male African-American applicants (relative to their White counterparts) in the US (Bertrand and Mullainathan 2004).

381 While there are generally much fewer correspondence tests in developing countries, Banerjee *et al.* (2009) examined religious discrimination in India. They found no differences in call back rates between Hindu and Muslim applicants.

382 E. Sexual orientation

383 Correspondence studies that aim to test sexual orientation discrimination usually indicate homosexuality through the volunteer engagement of the applicant in a gay/lesbian organization. (For the “heterosexual” applicant a control organization is chosen that does not give any evidence of being gay or lesbian.) Overall, they reveal a significant penalty experienced by homosexual men and women in the labour market.

384 To be sure, this way of signalling same-sex sexual orientation is not without flaws. It may indeed confound homosexuality with political activism and left-wing political orientation. To circumvent this problem, one can emphasize the managerial or financial tasks the homosexual applicant performs in the gay/lesbian organization (Weichselbaumer 2003; Tilcsik 2011). One can also choose a gay/lesbian organization with no affinities to any political party (Weichselbaumer 2003) or juxtapose a left-wing gay/lesbian organization in the homosexual application with a left-leaning political organization in the heterosexual application (Tilcsik 2011). Studies that have implemented these adjustments leave the previous conclusion unaffected: gays and lesbians are discriminated against in their access to employment. This conclusion remains also unchanged following a recent trend in the literature on anti-gay/lesbian discrimination that entails signalling sexual orientation by stressing the sex of the candidate’s partner, as shown by Weichselbaumer (2015).

385 F. Disability

386 The design of tests to detect disability discrimination is challenging, as some disabilities are related to the applicants capacity to do the job, and there are only a limited number of correspondence tests (Riach and Rich 2002). A recent study by Baert (2016) compares the callback rates of male applicants without and with disability (blindness, deafness or autism). The results reveal that the disabled candidate is twice less likely to be invited to a job interview than his non-disabled counterpart. Yet, given the seriousness of some of the featured disabilities, this gap might not only reflect discrimination but also differences in observed productive characteristics.

387 This concern leads Amari *et al.* (2015) to focus on two disabilities that should not limit productivity in the accounting positions their fictitious male candidates apply for. The first disability is spinal cord injury, which requires a wheelchair but is compatible with computer work. The second disability is Asperger's Syndrome, which impairs the ability to develop peer relationships but heightens skills in mathematics. According to the authors, this syndrome should not hinder accountants' performance who "find themselves focused on spreadsheets more often than on interacting with clients." Their findings point to a moderate level of discrimination against the disabled applicants: their probability to be called back is 26% lower than that of the non-disabled applicants. Such discrimination is concentrated among the experienced candidates (those with CPA certification and 6 years of work experience): their risk of lower productivity might be considered as more costly for the firm due to their higher pay and greater job responsibilities.

388 **6.5 Policies to counter discrimination and promote diversity**

389 There are a large variety of policies and actions that can potentially contribute to tackling discrimination against disadvantaged groups in the labour market. These range from anti-discrimination legislation, to equal employment policies, affirmative action and other strategies to promote diversity. Actors involved can include the state and legal representatives, but many OECD countries also have equality and human rights bodies.

390 At an international level, the Universal Declaration of Human Rights provides the most fundamental framework for anti-discrimination (OECD 2013). Its principles have been applied in more detailed conventions such as convention 111 of the ILO on discrimination in employment and occupation, which was ratified by 171 countries. All OECD countries have integrated anti-discrimination provisions into their national legal framework (OECD 2008). An important impetus for EU countries has come from EU directives, initially in the 1970s regarding gender discrimination and equal pay; by 2000 the EU adopted two new Equality Directives prohibiting discrimination in

employment on the basis of sex, racial or ethnic origin, religion or belief, disability age or sexual origin. Similar legislation was implemented in other OECD countries such as Australia, Canada and the United States at much earlier dates.

- 391 Each anti-discrimination or equal opportunity law provides for the creation of agencies responsible for monitoring its application and implementing its programmes. The powers of these equality bodies vary across countries but can be far-reaching - typically activities range from awareness-raising of public authorities, employers and the general public, co-ordinating equality policies, receiving complaints and in some countries equality bodies may conduct legal actions, investigations and impose sanctions where appropriate.
- 392 A key problem with anti-discrimination law in all countries is that legal rules are not self-enforcing: they rely on the actions of individuals who feel discriminated against (OECD 2008). And taking a legal action can be costly, complex, time-consuming and is often an adversarial process in the workplace, even with financial support and advice from equality bodies. The outcomes vary considerably across countries depending the legal framework and efficiency of the legal system. In many OECD countries equality bodies offer 'mediation' at an early stage, which is often quicker and cheaper (see OECD 2008).
- 393 The legal framework is complemented by more pro-active or positive strategies to influence practice and processes in the labour market, these include affirmative action and equal employment policies. Affirmative action is typically defined as a set of policies that make specific efforts to advance the economic status of minority groups and women (Holzer 2010). Affirmative action, which originated in the United States, and positive action, as in the European action plan against racism, have similar goals (OECD 2013). Typically the policies monitor the representation of minority groups using statistical tools and take active steps to address underrepresentation. Whereas in affirmative action a fixed quota generally implies preferential treatment of the group concerned (that is positive discrimination), in equal opportunities programmes targets are typically used, which do not imply preferential treatment. The legitimacy and efficiency of quotas have been debated in the United States for many years: this instrument has often been criticized (Stryker 2001). As a policy tool, hard affirmative action and quotas by race have generally been discontinued in the United States (OECD 2013).^[27] Equal opportunities programmes with targets continue.
- 394 Alternative strategies to promote equality may derive from the business community itself. The latter, known as 'diversity management' include 'diversity audits' to identify biases in organisational processes, mentoring programmes, diversity training

etc. The strategy stresses the benefits of diversity: the main idea is that by recruiting and retaining diverse employees companies will have a market advantage (see Section 6.3).

395 Evaluating the effectiveness of such policies has proven to be difficult. For the United States, there is some evidence that laws barring discrimination helped to improve the labour market situation for ethnic minorities and women, though often these effects materialized over time and are difficult to quantify (Altonji and Blank 1999). The impact of affirmative action quotas has not been uniformly positive: one negative by-product of quotas is they may increase stereotypes if such measures are associated with lower standards for the groups concerned (Holzer 2010). In terms of recruitment and personnel practices, there is an urgent need to assess initiatives to see if they do indeed have the desired effect (Bertrand and Duflo 2016).

396 **6.6 Conclusion and Recommendations**

397 As we have seen, the balance between the costs and benefits of diversity largely depend on the type of diversity considered. While ethnic diversity is mostly associated with negative economic outcomes, the opposite holds true for birthplace diversity. In terms of policy implications, better integration of minority groups and lower segregation and ethnic inequality have been shown to mitigate the conflictual and costly side of ethnic fragmentation. As to birthplace diversity, the results from both cross-country and firm-level studies point to the positive effects of such diversity in the context of advanced economies and industrial sectors. Hence, policies to increase the diversity within immigration, not just its quantity or quality, should also be considered. This is for example the case of the United States and its well-known “Green Card Lottery”, in fact a diversity lottery (its official name) in the sense that the odds of winning are manipulated so as to favour immigration of citizens from countries with low levels of past migration to the US.

398 Discrimination in the labour market represents a challenge to equality, social justice and the notion of ‘good jobs for all’. Its pervasiveness has been clearly demonstrated by a wide range of experimental studies reviewed in this chapter. Discrimination is costly to individuals and for an economy as a whole (OECD 2008). A single solution to combating discrimination is not on offer: at best a range of measures operating at societal, firm and individual level are required. The following are three broad recommendations:

399 Firstly, a key message from the review of policies is that anti-discrimination legislation is an important basic action for countries, but it is not enough to combat discrimination as it is not ‘self-

enforcing'. A combination of pro-active policies to promote equal opportunities in employment, and sanctions for non-compliance or discriminatory behavior by companies would increase employer incentives to comply with the legislation. Public sector practices and policies here can provide an important 'role model' function, but such policies and practices also need to be in private companies, particularly smaller private companies, where some evidence suggests that discrimination may be more pronounced (OECD 2013).

400 Secondly, there is also the goal of informing both employees, job applicants and employers about both the benefits of diversity and equality, and also the downsides and costs of discrimination. This could include challenging employers: Why would they want to turn down the best candidate because of their skin colour, age or gender? This awareness raising can also be at a more general level of increasing support for equality and reducing negative stereotypes of particular groups in society more generally. A balanced and fact-based public discourse can help counter negative stereotypes of particular groups, for example immigrants (OECD 2013).

401 Thirdly, despite a plethora of correspondence studies, little is known about the sources of such discrimination (Bertrand and Duflo (2016), while pinpointing them would constitute a critical prerequisite toward devising efficient anti-discrimination policies. In addition, very few experiments have evaluated the effectiveness of anti-discrimination policies. Perhaps not a policy goal but a recommendation nonetheless is that there should be increased research on these issues. As Bertrand and Duflo (2016) argue, researchers could play as large a role in isolating effective policies to combat discrimination as in documenting it. Evaluations are important tools for policymakers and researchers need to supply the evidence.

402 **7. The impact of work and employment on health and wellbeing[28]**

403 **7.1 Background**

404 *Work is a core activity* for individuals and society. Participation in the labour market determines a wide range of life chances that are mediated through regular wages and salaries. Work and employment confer social status by placing people's position in the hierarchical arrangements of society. Moreover, paid work contributes to the