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Ethnic discrimination: Evidence from China

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ABSTRACT

We study the role of ethnicity in experimental labor markets where “employers” determine wages of “workers” who perform a real effort task. This task requires a true skill which we show is not affected by minority status. In some treatments, we provide subtle priming to employers about minority status of workers as commonly depicted on Chinese “Hukou” identification system. We conduct our experiments at two sites located in provinces that differ by their historical shares of ethnic groups in the population. We find that: (1) Han and minority workers are equally productive in both provinces; (2) in the diverse province, there is no difference in the wages between Han and minority workers; (3) in the non-diverse province, minority workers receive 4–7% lower wages than Han workers.

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1. Introduction

We design experimental labor markets to study otherwise hidden job market interactions between employers and employees of different ethnicity. In particular, we explore whether minority status information that is frequently revealed through job application process affects employer perceptions of worker productivity. We design our experiments taking into account particular aspects of the Chinese labor market where such information is typically transmitted through the national identification card and Hukou which are necessary documents for most job applicants.¹ Laboratory experiments provide a unique opportunity to study labor market behavior that is often hidden in the natural data (Charness and Kuhn, 2007; Falk and Fehr, 2003) because we can isolate the effect of specific worker characteristics such as ethnicity or urban/rural status on employer behavior.

We use an experimental labor market with a real effort task which involves solving character puzzles (Mobius et al. 2015; Yang, 2013). Participants solve a practice puzzle in the beginning of the experiment and subsequently perform in a five-minute work period in which they receive a piece rate from the experimenter in order to encourage them to solve as many puzzles as possible. We specifically choose a real effort task that is new for our participants and for which there are no observed productivity differences based on minority status. Furthermore, we let workers and employers participate in our experiment in both roles, first as workers and then as employers, reducing the possibility that any bias could arise from inexperience with the task. In addition to experimenter provided compensation, employers evaluate workers’ mini-resumes

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¹ The national identification card displays a person’s name, date of birth, ethnicity, gender, and place of origin. Hukou is an official registration record issued to every Chinese citizen on a household basis. It contains a person’s basic demographic information such as name, date and place of birth, education, ethnicity, gender, urban/rural status, province of origin, and marriage status.

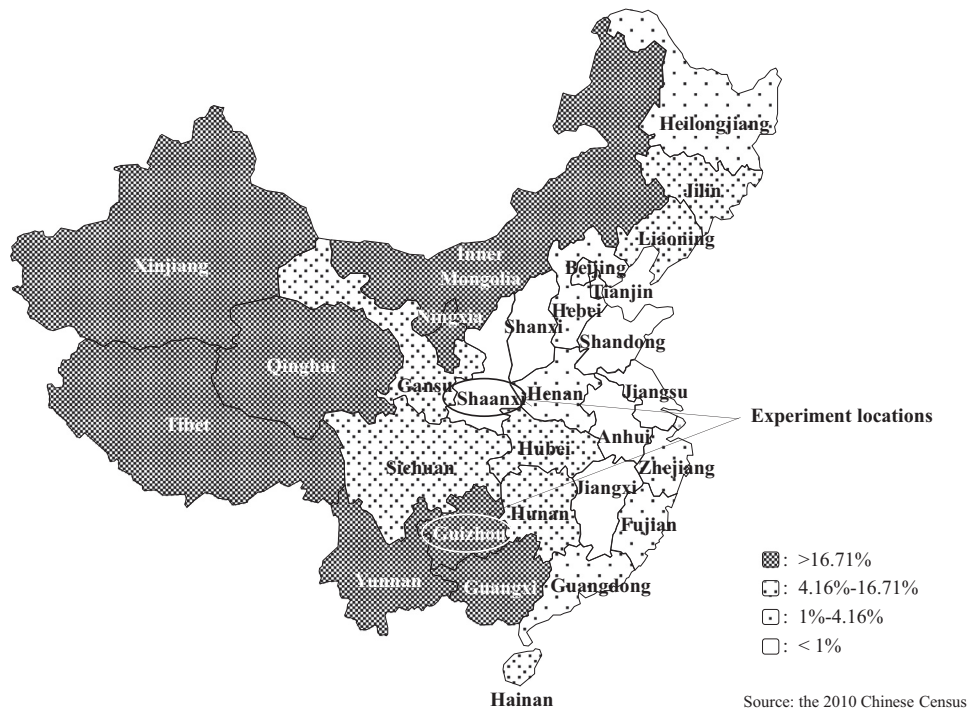


Fig. 1. Shares of ethnic minorities in the population of the Mainland China.

which have information about time spent on the practice puzzle (a noisy signal of worker productivity), and depending on a treatment are also subtly primed on various aspects of possible minority status. Instead of relying on minimal groups used in psychology and near-minimal groups in economics (Tajfel and Turner, 1979; Chen and Li, 2009; Chen and Chen, 2011) to induce minority status, we base our priming on participants' natural identities (Benjamin et al., 2010; Chen et al., 2014; Chang et al., 2015) as would be revealed to employers through national identification card and Hukou. Employers are incentivized to estimate worker productivity in the five-minute work period. This estimate is paid to the worker as an additional source of income and we refer to it as worker "wage".

We adopt a two site design in which our participants are recruited from universities in two provinces of China, Guizhou and Shaanxi. Ethnic minorities make up 36% of the local population in the former but only 0.5% in the latter. We find that there is no productivity difference between minority and Han workers in both locations. However, minority workers in Shaanxi receive a 4–7% lower wage than Han workers when the employer is also Han. On the contrary, there is no such discriminatory wage differential in Guizhou.

Our experimental design specifically abstracts away from *statistical discrimination* where employers rationally believe certain groups of workers to be less productive in a particular task. Majority and minority workers perform equally well in our task and employers are already familiar with the task before setting wages. Our design also reduces the role of *taste-based discrimination* because employers do not engage in direct interaction with workers.

This leaves *stereotypes* by Han employers as a possible explanation for the discriminatory wage gap. Minority workers are *wrongly* perceived to be less productive by Han employers at the ethnically non-diverse site. When Han employers make judgments based on this wrong perception, they make costly discriminatory decisions against minority workers. A sufficient level of exposure to minorities can help correct this stereotype and weaken discrimination, which is consistent with observed behavior in our experimental labor market in Guizhou.

Our results are consistent with studies in social psychology which suggest that social contact can be a remedy for group stereotypes (Allport, 1954; Pettigrew, 1997; Pettigrew and Tropp, 2006; Pettigrew et al., 2011). Higher exposure to people with diverse backgrounds leads to more accurate perceptions which in turn attenuates discrimination based on stereotypes. In line with our work, other recent studies have emphasized the benefits of diversity in a wide range of domains. Boisjoly et al. (2006) and Van Laar et al. (2005) demonstrate that in university dorms, having a roommate of another ethnic group improves attitudes toward that group. Beaman et al. (2009) report a field experiment in which gender quotas for leadership positions are assigned on Indian village councils. This enhanced exposure to female chief councilors weakens gender stereotypes and improves voter perceptions toward females, leading to higher likelihood of women to win subsequent elections. Moody (2001) finds that in American high schools, friendship segregation declines with school heterogeneity levels. Herring (2009) finds a positive association between racial diversity and business success in workplaces. Patricia et al. (2004) show that curricular and co-curricular experience with racial and ethnic diversity have positive educational values for

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