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Contents lists available at ScienceDirect

Journal of Housing Economics

journal homepage: www.elsevier.com/locate/jhecDiscrimination in the rental market for apartments [☆]Magnus Carlsson ^{a,*}, Stefan Eriksson ^b^a Linnaeus University Centre for Labor Market and Discrimination Studies, Linnaeus University, SE-391 82 Kalmar, Sweden^b Department of Economics, Uppsala University, PO Box 513, SE-751 20 Uppsala, Sweden

ARTICLE INFO

Article history:

Received 27 June 2013

Available online 7 December 2013

Jel classification:

C93

J15

J16

R39

Keywords:

Discrimination

Field experiment

Correspondence testing

Housing market

ABSTRACT

Discrimination in the housing market may create large economic inefficiencies and unfair individual outcomes, but is very difficult to measure. To circumvent the problems with unobserved heterogeneity, most recent studies use the correspondence testing approach (i.e. sending fictitious inquiries to landlords). In this study, we generalize the existing methodology in order to facilitate a test of to what extent the measured degree of discrimination depends on applicant, landlord/apartment, and regional characteristics. To show how this more general methodology can be implemented, we investigate the effects of gender, ethnicity, age, and employment status in the Swedish rental market for apartments. Our results confirm the existence of widespread discrimination against some of the groups, but also show that the degree of discrimination varies substantially with landlord, apartment, and regional characteristics. This heterogeneity highlights the importance of using a broad approach when conducting correspondence studies. Our results also allow us to interpret the nature of discrimination and how it relates to segregation and geographical sorting.

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1. Introduction

To what extent there is discrimination¹ in the housing market is an important research and policy question since discrimination may result in both large economic inefficiencies

(e.g. low labor mobility and high unemployment) and unfair individual outcomes. While many studies document substantial differences in housing market outcomes between different ethnic and other groups (cf. [Dymski, 2006](#)), it has proven difficult to establish to what extent this reflects discrimination. In studies using administrative or survey data, it is often impossible to separate the effects of unobserved factors and discrimination.

To circumvent these problems with unobserved heterogeneity, it has become increasingly popular to use field experiments, such as audit and correspondence studies, to measure discrimination.² In audit studies, people are sent to landlords to apply for housing, but this approach has been

^{*} We are grateful for helpful comments from colleagues at Uppsala University and the Linnaeus University Centre for Labor Market and Discrimination Studies and three anonymous referees. Financial support from the Swedish Research Council and the Jan Wallander and Tom Hedelius Foundation is gratefully acknowledged.

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¹ By discrimination, we mean any situation when two applicants who are identical in all dimensions except for one, e.g. gender, ethnicity, or age, are treated differently. This discrimination can be any combination of taste-based ([Becker, 1957](#)) and statistical ([Phelps, 1972](#); [Arrow, 1973](#), and [Aigner and Cain, 1977](#)) discrimination. According to the Swedish Discrimination Act, it is illegal to discriminate based on gender, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation, or age.

² [Riach and Rich \(2002\)](#) survey the literature. Examples of audit studies are [Yinger \(1986\)](#), [Page \(1995\)](#), [Ondrich et al. \(2000\)](#), [Zhao \(2005\)](#), and [Zhao et al. \(2006\)](#). Examples of recent correspondence studies are [Carpusor and Loges \(2006\)](#), [Ahmed and Hammarstedt \(2008\)](#), [Ahmed et al. \(2010\)](#), [Bosch et al. \(2010\)](#), [Baldini and Federici \(2011\)](#), [Hanson and Hawley \(2011\)](#), [Andersson et al. \(2012\)](#), and [Ewens et al. \(2013\)](#).

severely criticized on methodological grounds.³ Therefore, most recent field experiments of discrimination are correspondence studies, where researchers send fictitious written inquiries to landlords with a vacant apartment.⁴ The inquiries are designed to be qualitatively identical except for the applicant's name, which is randomly assigned and chosen to signal e.g. a certain gender or ethnicity. Discrimination is then measured as the difference in the share of positive responses between the studied groups. The fact that the applicant's name is randomly assigned gives correspondence studies a clear advantage in terms of identifying discrimination.

However, the typical methodology used in correspondence studies also suffers from some potentially important weaknesses that may result in non-generalizable findings. A first issue is that the experimenter's choice of how to set all other (constant) *applicant characteristics* – i.e. everything except the applicant's name – in the inquiry may affect the measured degree of discrimination. This is highlighted by Heckman and Siegelman (1993) and Heckman (1998), who show that this choice may affect the estimates of discrimination. A second issue is that many studies include only a few specific types of landlords and apartments located in a limited geographical area. This is problematic if the landlords' preferences are heterogeneous across different types of landlords (e.g. male vs. female and ethnic majority vs. ethnic minority), apartments (e.g. high rent vs. low rent) or regions (e.g. ethnically homogenous areas vs. ethnically diverse areas and metropolitan areas vs. other areas). Then, the measured degree of discrimination may depend on what *landlord/apartment and regional characteristics* are included in the sample.

The main purpose of this study is to show how a more general methodology for conducting a correspondence study in the housing market can be implemented in order to facilitate a test of to what extent the measured degree of discrimination depends on applicant, landlord/apartment, and regional characteristics. To do this, we conduct a correspondence study, where we incorporate substantial variation in all these dimensions. For the applicant characteristics, we use the most general design possible, and randomly assign all relevant distinct characteristics, which to our knowledge no previous correspondence study in the housing market has done.⁵ This also makes it easier to interpret the magnitude of discrimination since the estimates can be compared to the effect of other characteristics. For the

landlord/apartment and regional characteristics, we include many different types of landlords/apartments located in many different types of regions, and collect detailed information about the landlords/apartments from the advertisements. Moreover, we combine the data from the experiment with administrative data from official records on important economic, social, and demographic characteristics of the municipalities where the apartments are located. This also allows us to discuss the nature of discrimination, and how it relates to segregation and geographical sorting.

To show how this more general methodology can be implemented in practice, we investigate the effects of gender, ethnicity, age, and employment status in the Swedish rental market for apartments. We conducted a large-scale field experiment on the largest online classified advertisement website, where individual and small company landlords search for tenants. During a six-month period in 2010 and 2011, we replied to more than 5800 advertisements. We quantify the degree of discrimination by estimating the difference in the landlords' invitation rate (i.e. the probability of inviting an applicant to an apartment viewing), and analyze how this estimate depends on the various dimensions of the applicant, landlord/apartment, and regional characteristics discussed above.

In addition to demonstrating our more general methodology, we arrive at a number of important results. First, we show that, for several of the groups that we consider, the degree of discrimination varies substantially with landlord/apartment and regional characteristics. However, for applicant characteristics, we find no evidence of a similar pattern. Based on these results, we arrive at our main conclusion: In a correspondence study, it is crucial both to include many different types of landlords/apartments located in many different types of regions and to carefully take this information into account in the empirical analysis. A failure to do so is likely to result in very non-generalizable findings.

Second, we find a number of results concerning the groups in the experiment. The landlords use ethnicity and employment status, but not gender and age, to sort applicants. That landlords avoid ethnic minority applicants may reflect either taste-based or statistical discrimination. That they avoid unemployed applicants is likely to reflect statistical discrimination and may be considered as more natural and accepted. However, the consequences in terms of e.g. labor mobility, unemployment, and social problems may be severe in both cases. We also find a number of other indicative results for the landlord/apartment and regional characteristics, particularly concerning how ethnic minority men are treated. These results allow us to interpret the nature of discrimination and how it relates to segregation and geographical sorting.

The rest of the paper is organized as follows. Section 2 describes the field experiment, Section 3 presents descriptive results, Section 4 presents and discusses the empirical results, and Section 5 concludes.

2. The field experiment

In this section, we discuss the main features of our experimental approach. Then, we describe the remaining

³ The main concern is that it is very difficult to ensure that the pair of applicants sent to each landlord is perceived as identical in all dimensions except for e.g. gender or ethnicity (i.e. tester heterogeneity). This issue is discussed extensively in Heckman and Siegelman (1993) and Heckman (1998). However, some studies try to test for this and find no evidence of tester heterogeneity (cf. Ross et al., 2008).

⁴ Two reasons for the popularity of correspondence studies are that this approach solves the problem with tester heterogeneity encountered in audit studies and that the emergence of Internet-based search channels has made it easy to send a large number of fictitious inquiries to landlords.

⁵ Instead, some studies use a bundle of characteristics (e.g. high/low quality inquiries), and then randomly assign either all or none of the characteristics in the bundle to the inquiries; cf. Ahmed et al. (2010), Bosch et al. (2010), and Ewens et al. (2013). There are some correspondence studies of the labor market that vary a number of distinct worker characteristics (cf. Eriksson and Rooth, 2013).

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