Discrimination in social preferences: Evidence from an Online Labor Market

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Outline

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Motivation

- ▶ Prejudice or bias is widespread in labor market interactions. (Neumark, 2018; Bertrand & Duflo, 2017)
  - ▶ The most common form of bias studied is of the employer-to-employee kind.
  - ▶ Employee may respond to discrimination by employer. (Glover, Pallais and Pariente, 2017)
  - ▶ The evidence on the bias from employee-to-employer is non-existent (to our knowledge).
- ▶ It has been established that people have other-regarding preferences (Fehr and Schmidt 1999)
  - ▶ Social-preferences play an important role in economic interactions. (Fehr and Fischbacher 2002)
  - ▶ The evidence on discrimination in these preferences is rare (Chen and Li 2009).

This Paper

- Do workers discriminate in social preferences (altruism and reciprocity) towards the employer?
- Why?
  - What if bias from employer to employee is partially driven by expectations of bias from the employee.
  - Policy implications.
- Environment
  - Online labor market: one shot interactions

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Model

$$\underset{e_{ij} \geq 0}{max}\, U_{ij} = \underset{e_{ij} \geq 0}{max}\left(F + (s_i + 1_{Gift}\, \underbrace{\rho_{ij}}_{\rho_i + \Delta\rho_{ij}} + \underbrace{\alpha_{ij}}_{\alpha_i + \Delta\alpha_{ij}}\, v_j + p)e_{ij} - c(e_{ij}) \right) \tag{1}$$

▶ Solving 1 leads to following solution (when interior);
$$e_{ij}^{\star} = c'^{-1}\left(s_i + 1_{Gift}\rho_{ij} + \alpha_{ij}v_j + p\right)$$

▶ Two forms of cost function
  ▶ Power Cost Function

  $$c(e) = \frac{ke^{1+\gamma}}{1+\gamma}$$

  ▶ Exponential Cost Function

  $$c(e) = \frac{kexp^{\gamma e}}{\gamma}$$

Treatments

- ▶ Piece Rate Treatments
    - ▶ $\rho_{ij} = 0$ and $\alpha_{ij} = 0$
    - ▶ 4 different piece rates
    - ▶ Helps identify s_i, γ, and k.
- ▶ Altruism Treatments
    - ▶ Baseline Altruism - (identifies α_i, $\Delta\alpha_{ij} = 0$)
    - ▶ Altruism Black - (identifies $\Delta\alpha_{iB}$)
    - ▶ Altruism White - (identifies $\Delta\alpha_{iW}$)
- ▶ Reciprocity Treatments
    - ▶ Baseline Reciprocity - (identifies ρ_i, $\Delta\rho_{ij} = 0$)
    - ▶ Reciprocity Black - (identifies $\Delta\rho_{iB}$)
    - ▶ Reciprocity White - (identifies $\Delta\rho_{iW}$)

Outline

Experiment Design

- ▶ Recruitment of Subjects
  - ▶ Employers: Students from ISU
  - ▶ Workers: Amazon's Mechanical Turk
- ▶ Task
  - ▶ Button-Pressing task as in DellaVigna and Pope (2018)
- ▶ Experiment Flow
  - ▶ Recruit Black and White students from ISU to perform the role of employer.
  - ▶ Post assignment on M-Turk for a screen-er survey to recruit White subjects to perform the role of worker.
  - ▶ Invite qualified subjects to initiate the experiment.
  - ▶ Randomly assign to one of the treatment groups.
  - ▶ Workers watch a video explaining instructions before starting to work on the task.
  - ▶ Workers work on the task for up-to 10 minutes.
  - ▶ Workers answer some questions about social preferences towards Blacks and Whites. (Falk et al. 2018)

Summary of Treatments

Treatment	Treatment Script
Piece Rate - 0 cents	Your score will not affect your payment in any way.
Piece Rate - 3 cents	As a bonus, you will be paid an extra 3 cents for every 100 points that you score.
Piece Rate - 6 cents	As a bonus, you will be paid an extra 6 cents for every 100 points that you score.
Piece Rate - 9 cents	As a bonus, you will be paid an extra 9 cents for every 100 points that you score.
Altruism Baseline	As a bonus, I, your boss, will be paid 1 cent for every 100 points that you score. Your score will not affect your payment in any way.
Altruism Black	Same script as altruism baseline with Black hand and Black voice in the video.
Altruism White	Same script as altruism baseline with White hand and White voice in the video.
Reciprocity Baseline	As a bonus, I, your boss, will be paid 1 cent for every 100 points that you score. In appreciation to you for performing this task, I have decided to pay you extra 20 cents as bonus. Your score will not affect your payment in any way.
Reciprocity Black	Same as reciprocity baseline with Black hand and Black voice in the video.
Reciprocity White	Same as reciprocity baseline with White hand and White voice in the video.

Outline

Racial preference question (Axt 2017)

- Which statement best describes you?
  - I strongly prefer Black people to White people
  - I moderately prefer Black people to White people,
  - I slightly prefer Black people to White people,
  - I prefer Black people and White people equally,
  - I slightly prefer White people to Black people,
  - I moderately prefer White people to Black people,
  - I strongly prefer White people to Black people

Altruism question 1

Indicate your willingness to act in a certain way.

	completely unwilling to do so								very willing to do so		
	0	1	2	3	4	5	6	7	8	9	10
How willing are you to give to good causes that help **White** people without expecting anything in return?	O	O	O	O	O	O	O	O	O	O	O
How willing are you to give to good causes that help **Black** people without expecting anything in return?	O	O	O	O	O	O	O	O	O	O	O

Reciprocity question 1

How well does the following statements describe you as a person?

	does not describe me at all							describes me perfectly			
	0	1	2	3	4	5	6	7	8	9	10
When a **Black** person does me a favor, I am willing to return it.	O	O	O	O	O	O	O	O	O	O	O
When a **White** person does me a favor, I am willing to return it.	O	O	O	O	O	O	O	O	O	O	O

Altruism question 2

Imagine the following situation: Today you unexpectedly received 1,600 U.S. dollars.

Donation amount

How much of this amount would you donate to a good cause that helps **Black** people?

How much of this amount would you donate to a good cause that helps **White** people?

Reciprocity question 2

Please think about what you would do in the following situation. You are in an area you are not familiar with, and you realize that you lost your way. You ask a stranger for directions. The stranger offers to take you to your destination.

Helping you costs the stranger about 40 U.S. dollars in total. However, the stranger says he or she does not want any money from you. You have six presents with you. The cheapest present costs 10 U.S. dollars, the most expensive one costs 60 U.S. dollars. Do you give one of the presents to the stranger as a "thank you" gift? If yes, which present do you give to the stranger?

	No, would not give present	The present worth 10 U.S. dollars	The present worth 20 U.S. dollars	The present worth 30 U.S. dollars	The present worth 40 U.S. dollars	The present worth 50 U.S. dollars	The present worth 60 U.S. dollars
If the stranger is a **Black** person	○	○	○	○	○	○	○
If the stranger is a **White** person	○	○	○	○	○	○	○

Thank You!