

Audits as Evidence: Experiments, Ensembles, and Enforcement

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Abstract

We study the ability of correspondence studies utilizing fictitious applicants to detect illegal discrimination by individual employers. Employers violate US employment law if their propensity to call applicants back depends on protected applicant characteristics such as age, race, or sex. We establish identification of higher moments of the effects of protected characteristics on callback rates as a function of the number of fictitious applications sent to each job ad. These moments are used to bound the fraction of jobs that are illegally discriminating. Applying our results to three experimental datasets, we find evidence of significant employer heterogeneity in discriminatory behavior, with the standard deviation of gaps in job specific callback probabilities across protected groups averaging roughly twice the mean gap. In two experiments manipulating racially distinctive names, we estimate that at least 70% of the jobs that call back both of two white applications and neither of two black applications engaged in illegal racial discrimination. To assess more carefully the tradeoff between type I and II errors presented by these behavioral patterns, we consider the performance of a series of “auditing rules” for investigating suspicious callback behavior under a simple two-type model that rationalizes the experimental data. Though, in our preferred specification, only 17% of employers are estimated to discriminate on the basis of race, we find that an experiment sending 10 applications to each job would enable accurate detection of 7.5% of discriminators while falsely accusing fewer than 0.2% of non-discriminators. An experiment employing an optimally-chosen application portfolio of races and other resume characteristics would boost the detection rate to roughly 10% without increasing false accusations. Our results suggest illegal labor market discrimination can be reliably monitored at relatively low cost.