

Auditing for discrimination

When a black or Hispanic is treated worse than a white in comparable circumstances, how can we be sure that the differential treatment is due to race or ethnicity rather than other factors? The technique of auditing for discrimination was developed to help answer this question.

Much of the work on auditing for discrimination has been undertaken by the Urban Institute, which has recently published *Clear and Convincing Evidence: Measurement of Discrimination in America*, edited by Michael Fix and Raymond J. Struyk (Washington, D.C.: Urban Institute Press, 1993). This important book describes the technique of auditing, reviews the auditing evidence on differential treatment in housing and employment, and discusses the methodological issues raised in using auditing evidence on differential treatment to measure discrimination in a statistically reliable sense. The technique of auditing is particularly valuable in detecting the more subtle forms of discrimination that have evolved since the civil rights revolution of the 1960s.

The concept of auditing is straightforward. Two individuals (auditors or testers) are matched for all relevant personal characteristics other than the one presumed to lead to discrimination (race, ethnicity, gender). They then apply for a job or housing unit, or begin to negotiate for some other good or service. The results they achieve and the treatment they receive are observed, documented, and analyzed for evidence of discrimination.

Auditing is used for both enforcement and research. Enforcement auditing, typically called testing, is designed to provide legal evidence of discrimination. One such test can be sufficient, although the results of several tests are normally produced as evidence. Research auditing is designed to measure the extent of discrimination in a market. In a world where random events are mixed up with systematic factors in determining how otherwise similar persons of different races are treated in the same circumstances, the systematic factors measure discrimination. Disentangling the systematic from the random requires a large number of audits to produce statistically reliable results.

But, as *Clear and Convincing Evidence* shows, the problem is more complex than numbers alone, because "unequal treatment of equals on the basis of race" leads to at least four statistically different definitions of discrimination. Each definition requires a different statistical analysis to correctly disentangle random from systematic factors.

Research audit studies to date indicate substantial discrimination against blacks and Hispanics, both in the U.S. housing market and in hiring for entry-level jobs, whichever statistical definition is used.

The housing evidence, which is based on a large nationally representative audit study, documents that blacks are discriminated against about half the time they try to rent an apartment or buy a house. The chances are only slightly better for Hispanics.

The employment picture is less clear because research audits for employment discrimination have been done in only a few cities. Results to date suggest that blacks applying for entry-level jobs may be discriminated against about one-third of the time and Hispanics slightly more.

The audit studies done so far—which include audits for discrimination in mortgage lending—establish the feasibility and advisability of auditing for discrimination in a variety of contexts. Taken as a whole, *Clear and Convincing Evidence* makes a strong case that audits hold the power to clarify the extent of discrimination and that it makes sense to continue to expand their use in both research and enforcement contexts.

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