

# Ethnic Discrimination in the Greek Labour Market: Occupational Access, Insurance Coverage, and Wage Offers

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## **Abstract:**

The paper investigates whether low skilled male Albanians face unequal treatment in the Greek labour market, two years after the national adoption of the European anti-discrimination employment legislation. By means of a *Correspondence Test* we have estimated that Albanians face 43.5% net discrimination of access to occupations. Concentrating on the equal chance cases, we subsequently found that Albanians face 36.5% less chance of being registered with insurance coverage, while their potential wage contracts are on the average 8.8% below those of Greeks, and 5.3% below the legal minimum wage. As it comes to the reasons for wage discrimination, using an indirect approach we interestingly found that the employers themselves “put the blame” on profit strategies (84.4%), on statistical discrimination (9.6%), and on taste discrimination (7.8%).

**Key words:** Field Experiment, Ethnic Discrimination., Hiring Discrimination, Insurance Coverage, Wage Inequality.

**JEL classification:** J7, J16, J31, J42, J64, J71, J82.

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## 1. Introduction

There is significant literature across social sciences, which analyzes discrimination in labour markets on the grounds of race and ethnicity. In Greece, however, little work has been done in measuring discrimination and what we do know comes mainly from national observatories. The scope of this paper is to measure the existence of racial discrimination in the Greek private market, two years after the national adoption of the European anti-discrimination employment legislation (2005/3304).

Racial/ethnic discrimination has been a particular focus of recent efforts by European lawmakers, at least in part to the dramatic growth of racism in Europe following the end of Communism. We are particularly interested in investigating whether male Albanians<sup>1</sup> face discriminatory treatment in the labour market, compared to Greeks, and to evaluate whether stereotypes prejudice the Greek employers' screening processes.

Due to the absence of standardized economic data we employ the *Correspondence Test* method in order to isolate the ethnic discrimination trend for a specific period. The correspondence test is used for detecting discrimination in the preliminary stage of the selection process, which for the ethnic minorities is seen to be the most crucial barrier to the labour market. A typical correspondence test entails that the researcher sends two equal - in human capital- applications (CV's), to advertised job openings. The only characteristic that differs between the two (pseudo) applications is the ethnicity of the candidates. Ethnic discrimination is then measured by the difference in the number of call backs for interview between the two ethnic groups. The main advantage of this approach is that one can get direct measurements of the employers' attitudes<sup>2</sup>.

In our study we extend this test by gathering data concerning insurance coverage registrations to the Social Security Organization (IKA) as well as wage

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<sup>1</sup>It was not until the collapse of the communist Albanian government in 1991 that Greece experienced the first flows of immigration. Ten years later around the 60% of immigrants in Greece are from Albania (Greek Census, 2001).

<sup>2</sup>Following Adam Barry (1981), we assume that employers by offering an interview are indicative of their willingness to consider applicants employable.

offers, in cases of positive responses. At this instance, in contrast to the customary methods of interview data and wage decomposition, we choose the correspondence test for two reasons: First, because interview data is a rather biased method, since native (migrant) workers may overstate (understate) their position in the labour market. Whilst, researchers can with the correspondence test themselves act as workers and record the reality. Second, because Census data concerning migrant wages are not available, in Greece. While, even in countries where such data are available,<sup>3</sup> wage decomposition has been subject to considerable criticism as it is thought to be a biased method for discrimination tests<sup>4</sup>.

Thus, our study examines labour market discrimination by essentially using experimental data. Concentrating on low skilled workers our sample particularly refers to: (a) office jobs, (b) factory jobs, (c) café and restaurant services and (d) shop sales. Our findings provide strong evidence for discrimination against Albanians in all three dimensions. Albanians face 43.5% less chance of access to occupations. More interestingly, concentrating on the 49.7% equal chance cases of access to occupations, we found that Albanians face 36.5% less chance of being registered with insurance coverage, while their potential wage contracts are 8.8% below those of Greeks, and 5.3% below the legal minimum wage. Last, but not least, in order to evaluate the reasons for wage discrimination, we appealed to the most appropriate group to judge: The employers who defined the outcome. Using an indirect method, we found that the factors contributing to wage inequality are the firms' profit strategies (accounting for the 84.4% of the total), followed by ambiguities concerning Albanians' productivity (9.6%), whilst a "dislike" against Albanians accounts only for the 7.8%.

The rest of the paper is organized as follows. In the next section we sketch out the phenomenon of ethnic discrimination in the European labour market, as well as the recent anti-discrimination legislation, and we briefly review the theoretical explanations of labour market discrimination. In the third section we report various forms of discriminatory contracts in the Greek labour market and we present the

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<sup>3</sup>Various economists have attempted to offer economic explanations for the phenomenon of ethnic discrimination in wages, drawing largely on the U.S. Black and White experiences (Altonji and Black, 1999; Cain, 1986; Oaxaca, 1973; Blinder, 1973). Regressions show that ethnic minority groups earn less than the majority native workers.

<sup>4</sup>Wage decomposition combines the estimated coefficients for national wages and the values of the explanatory variables for ethnic workers. The criticism involves around the specifications of the model and the choice of independent variables. There is no conclusive proof of discrimination as long as all other possible relevant variables have not been identified (Bovenkerk, 1992).

model encapsulating our investigating relationships. In the fourth section we describe the methodology and the application structure of our investigation. In the fifth section we present and evaluate the field results of our correspondence test, regarding occupational access for Greek and Albanian workers, as well as regarding wage discrimination. In the sixth section we present the methodology, application, and results of our second experiment concerning the factors which account for wage discrimination. The last section concludes.

## **2. Ethnic Discrimination, Legislation, and Theoretical Explanations**

Discrimination is complex, multifaceted and deeply ingrained in behaviour, and difficult to measure or quantify<sup>5</sup>. Discrimination is understood to exist when some superficial characteristic is used in an attempt to restrict individuals' access to the available economic, political, and social opportunities for advancement (D'Amico, 1987). The targeted discrimination groups may vary, across locations, but in general include: women, immigrants, roma, youth, elderly, children, disabled, gay and lesbian, bisexual, transgender and transsexual people<sup>6</sup>.

In the European labour market most vulnerable to racial/ethnic discrimination seem to be Third World nationals, migrants, asylum seekers, undocumented migrants and Geneva Convention refugees. Complaints concerning employment refer mainly to wages, payments of overtime, recruitment, contracts, racial harassment, and promotions<sup>7</sup>. Migrants from non-European Union (EU) countries, and certain autochthonous minority groups, display much lower participation and employment rates than the natives' or the migrants' from the E.U.<sup>8</sup> On the other hand, however, anti-discrimination policy is an important part of the Union's approach to immigration, inclusion, integration and employment. The inclusion of Article 13 in the European Community Treaty, following the entry into force of the 1997 Amsterdam Treaty, empowered the Union to deal with discrimination on a range of

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<sup>5</sup>See McConnell, Brue and Macpherson (2006).

<sup>6</sup>According to the Eurobarometer survey based on questionnaire covered by the Community Action Programme against Discrimination (57.0, 2003), in the 15 Member States, the most often cited for witnessed discrimination is racial or ethnic 22%, followed by learning difficulties or mental illness 12%, physical disability 11%, religion or beliefs 9%, age and sexual orientation each 6%.

<sup>7</sup>According to a questionnaire conducted by the European Trade Union Confederation (2003), almost twenty-one, out of twenty-four, national trade unions surveyed agreed that migrants and ethnic minorities face higher levels of unemployment, lower pay and slower promotion.

<sup>8</sup>For the year 2005 the share of non EU 25 nationals in population is 6%. The unemployment rate of non EU 25 nationals is 17% against 9% for the EU nationals and their employment rate is 55% against 65% (Eurostat Labour Force Participation).

grounds, including racial/ethnic origin, religion or belief, age, disability and sexual orientation. That development in turn led, in 2000, to the unanimous adoption by the Council of two directives, the *Racial Directive* (2000/43), and the *Employment Equality Directive* (2000/78), both aiming to ensure that everybody living in the E.U. can benefit from effective legal protection against discrimination<sup>9</sup>. Greece, as an instance, by adopting the two Directives in January 2005 (2005/3304), made labour market discrimination a legally prohibited act.

The theoretical explanations of labour market discrimination are concerned with how and why productively irrelevant characteristics influence the labour market behavior of employers and workers (Swinton, 1977). There is not, however, a generally accepted economic theory of discrimination, while there are a variety of reasons for it:

The *taste* hypothesis (Becker, 1957; 1971) envisions discrimination as a preference (or taste) for which the discriminator is willing to pay. In particular, the employers' *taste for discrimination* is based on the idea that they want to maintain a physical or social distance from certain groups. Employers are then willing to sacrifice profits, by paying higher wages than they need to, or by accepting workers less qualified than others they could recruit at the same wage. The trouble with this explanation is that it contradicts in a direct way the usual view of employers as profit-maximizers<sup>10</sup>.

The Marxist approach (Baran and Sweezy, 1966) views racism as a tactic used by employers to introduce class cleavages within the working class. Economic gain rather than psychic preference is then the main motive for discrimination. Wage discrimination simply pays in terms of maximizing profits. Jobs are organized to take wage advantage of ethnic workers, and the tactic is intended to minimize labour costs,

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<sup>9</sup>In particular, Directive 78 applies to a range of grounds, including racial or ethnic origin, religion or belief, age, disability and sexual orientation (regarding both the public and private sectors), in relation to: (a) Conditions for access to employment, to self-employment and to occupation, selection criteria and recruitment conditions, whatever is the branch of activity and the level of the professional hierarchy (including promotion). (b) Access to all types and to all levels of vocational guidance, vocational training, advanced vocational training and retraining, including practical work experience. (c) Employment and working conditions, including dismissals and pay, (d) Membership of and involvement in an organization of workers or employers, or any organization whose members carry on a particular profession, including the benefits provided for by such organizations. Directive 43 applies only to racial or ethnic origin and includes all the above cases (a)-(d) and further it enforcement to: (e) Social protection, including social security and health care. (f) Social advantages. (g) Education. (h) Access to the supply of goods and services which are available to the public (including housing).

<sup>10</sup>In a perfectly competitive market, each worker is paid the marginal revenue product of his/her labour. If a worker is paid less implies discrimination.

by weakening the workers' bargaining position, or perhaps to stall the worker-stemming long-run threat to the capitalistic system. Employers' well being is therefore improved as they are able to raise their expected incomes through discrimination.

The idea that competition may eventually eliminate discrimination led to the development of the *statistical discrimination* hypothesis (Arrow, 1972, 1973; Phelps, 1972; Aigner and Clain, 1977). Discrimination results from the profit maximizing response of employers to uncertainty about the quality of individual workers, while the real or subjective distributions favour the group which receives preferences. Stereotyping plays the major role in this approach. Statistical models of discrimination predict that if employers perceive minorities as being generally less productive than majorities, and if it is difficult to measure the actual workers' productivity, then minorities with above-average productivity may receive below-average returns.

Finally, an alternative explanation for wage discrimination is more recently given, in a Union-Oligopoly context (Drydakis and Vlassis, 2006). If union members possess different reservation wages, unions may offer to firms the option to discriminate firm-specific wages across equally-skilled employees and by that to achieve lower costs which lead to higher profits.

### **3. Uninsured Employment and Ethnic Discrimination in the Greek Labour Market**

#### *3.1 Various forms of discriminatory contracts*

The main task of social security is to offer insurance coverage to its members through benefits. In Greece, compulsory insurance formally starts on the very first day of employment, in the country's largest Social Security Organization (IKA), which covers in general those in dependent employment. It meets the needs of its insured members in medical care and benefit payments, such as old age pensions, disability pensions, maternity aid, sickness-accident allowance etc.

Employee registration with IKA implies mandatory contribution payments for both the employer and the employee based on employee wage levels, which cannot be lower than the legal minimum wage in proportion to employee characteristics. Uninsured employment or insured employment with inaccurate data constitute illegal treatment and are penalized by fines. In practice, however, illegal treatment takes the form of "silent" (or, tacit) agreements between employers and employees: Either

employees agree to be registered with IKA only after they have certified their productiveness, or they are registered on condition that they have to deposit a fraction or the total employers' contributions to IKA for a period. In all cases, the employers exploit the employees' need for income, while firms' costs and employees' net receipts decrease with insurance contributions. Moreover, employees may be often registered as being less human-capital-endowed with less work experience and in general with few characteristics than they actually possess. Thereafter, wage level depends on the tacit agreement's terms. On the other hand, those employers who refuse to register employees have a wider range of discriminatory wage contracts to offer. Immigrants are hereby most affected, as they typically face higher statistical discrimination.<sup>11</sup>

### 3.2 Pair-wise Modeling

The above practices imply that ethnic (or other) discrimination in the Greek labour market may take various forms, while its reasoning seems to fit well with any of the profit maximization - compatible explanations reviewed in the previous section. Nonetheless, our field experiment investigates for all possible source of discrimination, as follows.

First, to allow for a *taste for discrimination*, we want to examine whether ethnicity affects an applicant's probability of receiving a job interview [ $P_{IS}$ ]. To particularly measure whether Greek employers have a taste for discrimination against Albanians, following Neumark et al (1996), we define the following relationship:

$$P_{IS} = a + \beta E_{IS} + u \quad (1)$$

Where:  $P$  is the latente regression explaining the probability of receiving a job interview, and has a value of one (zero) when applicants receive an interview (otherwise);  $I$  refers to the interview stage;  $S$  refers to the sectors;  $a$  is the constant;  $\beta$  is the parameter of the ethnic variable;  $E$  refers to the ethnicity and has a value of one (zero) when the candidate is a Greek (Albanian);  $u$  is the disturbance term. We can estimate equation (1) as a Probit model. If  $\beta = 0$  then the Greek and Albanian have the same probability of receiving an interview. If  $\beta < 0$  then the Albanian candidate has a higher probability of receiving an interview than the Greek

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<sup>11</sup> See, e.g. Psimmenos and Kassimati (2004).

one. If  $\beta > 0$  then the Greek candidate has a higher probability of receiving an interview than the Albanian one. Our field experiment is designed so as, based on application forms, observable differences between the Greek and the Albanian candidate do not exist. The two candidates are identical in every respect except their ethnicity. Hence,  $E$  is not correlated with  $u$ .

Second, we are interested in whether ethnicity affects an applicant's probability of being registered with insurance coverage [ $P_{BS}$ ]. Here, our Probit model is defined by the following estimable relationship.

$$P_{BS} = a + \beta E_{BS} + u \quad (2)$$

Where  $B$  refers to the insurance coverage stage.

Last, but not least, we are interested in whether ethnicity affects employee wage offers. For that we analogously define the following relationship.

$$W_{SH} = \alpha + \beta E_{SH} + u \quad (3)$$

Where  $W$  refers to the monthly wage offers and  $H$  refers to the wage offer stage.

Note that in all three equations no other control variables are necessary since the applicants are matched in all characteristics other than ethnicity.

#### **4. Correspondence Test: Methodology and Application Structure**

##### *4.1 Methodology*

Descending the seminal paper of Riach and Rich (2002), different forms of field experiments have been used to test for discrimination in hiring. Due to their simplicity and controllability, these real-life experiments have become quite popular and they have been carried out in at least fifteen countries. In such an experiment, the term *Correspondence Test* particularly refers to the technique of written approaches for interview access to advertised vacancies<sup>12</sup>.

Our field experiment was conducted between May 2006 to January 2007 and the geographical parameters involved the major city of Greece, Athens. We had concentrated on low skilled vacancies, because 78% of male Albanians in Greece are low skilled (Greek Census, 2001). The four occupations to which we had focused on were: office jobs, factory jobs, café and restaurant services and shop sales. They have

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<sup>12</sup>There are two other procedures that had been previously used to measure the extent of discrimination in labour market. These methods involve personal approaches, in which individuals either apply over telephone (Brown and Gay, 1985; Hubbuck and Carter, 1980) or they attend job interviews (Daniel, 1968; McIntosh and Smith, 1974).



been chosen because, while there are many low skilled vacancies in agriculture, construction, cleaning, and delivery, in most those cases only telephone contact was available.

Our correspondence testing is structured into three stages. At the first stage we are interested in measuring occupational access for Greek and Albanian workers. We fabricated two imaginary, equal human-capital workers, applying to the same job by written applications (CV's). The two applications were posted simultaneously, within one day of the advertisement appearing, using fax devices. If a firm was interested about any of the applicants, he could be contacted, either through an available address, or by telephone contact. At the second stage, we are interested in gathering insurance coverage registrations (IKA), whilst at the third stage in gathering monthly wage offers. Two of our associates were trained in what to say, in the case of a positive call back, in order to respond equally. Taking advantage of the low status vacancies and the *naive* portfolio of employees we were enabled to address relevant questions directly.

At the first stage, the employer's response to an application was recorded as positive when the candidate was invited for an interview. The outcomes could be: (i) both applicants are invited for interview, (ii) only one is invited, and (iii) nobody is invited. If both applicants were invited they are considered to be treated equally. If neither was invited it could, at first sight, be recorded as equal treatment as well. Yet, in the literature, outcome (iii) is handled in two ways. Either it is considered to be a non-observation (Riach and Rich, 1987; 1991; Mc Intosh and Smith, 1974; *International Labour Organization*), or it is recorded as an observation of equal treatment (Urban Institute, 1990; Neumark, 1996). In our experiment we have followed the standardized *ILO* approach. Of course, in case (ii), where only one applicant was invited, a discriminatory attitude is observed.

At the second stage, the classification of insurance coverage registration offered could respectively entail three outcomes: both workers will be registered (with IKA), only one worker will be registered, neither will be registered. If both workers are offered registrations, they are considered as being equally treated. If neither will be registered it is considered as equal treatment, and if only one worker will be registered, a discriminatory attitude is observed.

As in turn regards the third stage, an employer's response could comprise of only two it may outcomes. Either both workers are offered equal wages, or the wage offers vary across ethnicities.

#### *4.2 Application Structure*

The vacancies in our four occupations were found in website newspapers. We applied to vacancies where there was a specific demand for low skilled male workers for, eight-hour and five-day, employment. The qualifications and presentation style of the two (pseudo) applicants were matched as closely as possible, so that they were identical in all employment relevant characteristics but ethnicity. In each application we provided all the necessary information, to eliminate the possibility of statistical discrimination, at the preliminary stage of the hiring process. Each application was designed to equally convey the type of experience that might make an applicant attractive.

The fictitious applications consisted of a name and last name, a mobile telephone number, and a postal address. In the candidates' CVs there was a specific ethnicity reference. The addresses were chosen so that to be recognized as similar as possible, in order to indicate the same social class. Applications showed the same level of schooling and job experience. Both candidates have finished Greek high schools, approximately twelve years ago, so for the Albanian candidate the Greek language couldn't be an effective constraint. Furthermore, the applicants were 29 years old, unmarried and had carried out military service. Both had nine years of work experience in the same position as each vacancy applied for. To avoid detection, candidates' high schools and previous workplaces were located at different areas in Athens. Similarly, the candidates had carried out military service in different areas. Finally, both had similar hobbies/interests and personal characteristics. The styles of CVs and cover letters were, however, different for each pair. Whereas, in order to control for the possibility the style of an application to influence an employer's response, the application forms were allocated equally between the Greek and Albanian applicant. For the same reason, the applications were sent alternately to each vacancy. Of course, in all cases applications were sent from different fax numbers.

## 5. Field Results

### 5.1 Interview Invitation

At the first stage, by pairs of candidates and by type of jobs, six events are defined: nobody is invited [ $N_I$ ], at least one is invited (usable test) [ $U_I$ ], both are invited (equal treatment) [ $E_I$ ], discrimination against Albanians [ $DA_I$ ], discrimination against Greeks [ $DG_I$ ], and net discrimination [ $ND_I$ ]. Where,  $I$  = refers to the interview stage. Let the probabilities of these events be respectively indicated by:

$P_{N_I}$ ,  $P_{U_I}$ ,  $P_{E_I}$ ,  $P_{DA_I}$ ,  $P_{DG_I}$ ,  $P_{ND_I}$ . Where,  $P_z = z/n$ , with  $z = \{N_I, U_I\}$ ;  $n$  = job openings, and  $P_f = f/U_I$ , with  $f = \{E_I, DA_I, DG_I, ND_I\}$ .

The *International Labour Organization* defines net (ethnic) discrimination as:  $P_{ND_{ILO}} = (DA_I - DG_I)/U_I$ . Accordingly, if  $P_{ND_I} = 0$  the Greek and Albanian candidates receive equal treatment. While, if  $P_{ND_I} > 0$ , the Albanian candidate faces lower access in the labour market than his Greek counterpart. The opposite occurs if  $P_{ND_I} < 0$ .

The last row of Table 1 displays our total probability results. Column (1) shows that in 50.8% cases neither candidate [ $P_{N_I}$ ] is invited. Column (2) shows that in 49.1% cases at least one candidate [ $P_{U_I}$ ] is invited. Column (3) shows that in 49.7% cases Greeks and Albanians face equal treatment [ $P_{E_I}$ ]. Column (4) shows that Albanians face 46.9% discrimination [ $P_{DA_I}$ ], while column (5) shows that Greeks face 3.3% discrimination as well [ $P_{DG_I}$ ]. Nonetheless, column (6) shows that net discrimination (as defined by *ILO*) is 43.5% for the Albanian candidates [ $P_{ND_I}$ ].

**Table 1 Invitation to Interviews - Probability Results (%) -**

Outcomes	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	$P_{N_I}$	$P_{U_I}$	$P_{E_I}$	$P_{DA_I}$	$P_{DG_I}$	$P_{ND_I}$	$\chi^2$ test
Occupations							
Job Opening							
Office Jobs 173	42.77	57.22	30.30	67.67	2.020	<b>65.65</b>	61.23*
Factories 217	59.44	40.55	53.40	43.18	3.409	<b>39.77</b>	29.87*
Restaurant and Café Services 241	48.54	51.45	67.74	28.22	4.032	<b>24.19</b>	22.50*
Shop Sales 158	51.26	48.73	41.55	54.54	3.896	<b>50.64</b>	33.80*
Total 789	50.82	49.17	49.74	46.90	3.350	<b>43.55</b>	146.46*

Note: Statistically significant at 1% (\*).

More importantly, net discrimination [ $ND_I$ ], as tested by the  $x^2$  criterion for differences in attributes, is found to be statistically significant at the 1% level of significance<sup>13</sup> (Column 7): The high value of the  $x^2$  test shows that ethnic origin and discrimination are highly correlated. Hence, our data can not support the hypothesis of the independence of the two attributes.

Moreover, we are interested in examining the sign pattern of our sample, and we have therefore performed the conditional sign test for symmetry<sup>14</sup>: Under the null hypothesis (symmetry), it can be:

Either,

$$H_0 = DG_I / (DA_I + DG_I) = 50\%,$$

Or,

$$H_0 = DA_I / (DA_I + DG_I) = 50\% .$$

In our case, the pattern outcome was always found to be in the same direction, i.e., the Greek favored proportion is always bigger than the Albanian favored proportion and we can thus reject symmetry (Table B, Appendix 1).

Thereafter, we are interested in examining whether our four samples come from the same binomial population. Using pooled estimators, we have thus tested for, and accepted homogeneity, since:

<sup>13</sup>We had first to examine whether the [ $DA_I$ ], [ $DG_I$ ] and [ $ND_I$ ] distributions are normal. We had therefore performed the -goodness of fit Kolmogorov-Smirnov test- and accepted the (null) hypothesis of normality (Table A, Appendix 1).

<sup>14</sup>For extensive discussions see Heckman and Siegelman (1993).

$$DG_I / (DA_I + DG_I) = 6.7\% ; DA_I / (DA_I + DG_I) = 93.3\%$$

(Table C, Appendix 1).

Turning to Table 1, in office jobs Albanians were found to face 30.3% (65.6%) equal treatment (net discrimination), which were the lower (higher) bounds across occupations: They respectively face 41.5% (50.6%), in shop sales, 53.4% (39.7%), in factory jobs, and 67.7% (24.1%), in restaurant and café services. Hence, regarding office vacancies, which can be considered as the *white collar* ingredient of our reference occupations, we may conclude that Albanians face higher occupational discrimination. However, regarding factory vacancies (which can be respectively seen as the *blue collar* occupation), Albanians seem to face higher net discrimination compared to restaurant and café vacancies.

## 5.2 Insurance Coverage Registration

At the second stage, discrimination is assigned whenever an employer refuses to register a potential employee with insurance coverage, on the first employment day. In order to identify discrimination, at this stage, we have concentrated on the equal treatment cases, as assigned at the first stage. Similarly, we have defined five outcomes:  $U_B$ ,  $E_B$ ,  $DA_B$ ,  $DG_B$ ,  $ND_B$ , where now  $B$  = refers to the insurance coverage stage. Moreover, we now need to define the outcome where firms refuse to inform whether they would register one, or both, candidate(s) with insurance coverage [ $N_B$ ]. Also, we need to define the outcome where firms refuse to register both candidates [ $R_B$ ].<sup>15</sup>

In Table 2 we report our relevant probability results. Column (1) shows that in 37.8% cases firms refused to inform whether they would register (with IKA), either one, or both, worker(s) [ $P_{N_B}$ ]. Column (2) shows that in 19.6% cases firms refused to register both workers [ $P_{R_B}$ ]. Column (3) shows that in 42.4% cases at least one candidate would be registered [ $P_{U_B}$ ]. Column (4) shows that in 63.4% cases both

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<sup>15</sup>Let the probabilities of events indicated by:  $P_{N_B}$ ,  $P_{R_B}$ ,  $P_{U_B}$ ,  $P_{E_B}$ ,  $P_{DA_B}$ ,  $P_{DG_B}$ ,  $P_{ND_B}$ . We assume that  $P_r = r / E_I$ ;  $r = \{N_B, R_B, U_B\}$ , and  $P_h = h / U_B$ ;  $h = \{E_B, DA_B, DG_B, ND_B\}$ . Then, if  $P_{ND_B} = 0$  the Greek and Albanian candidates receive equal treatment. If  $P_{ND_B} > 0$ , the Albanian candidates face lower probability of being registered with IKA. The opposite occurs if  $P_{ND_B} < 0$ .

candidates would be registered [ $P_{E_B}$ ]. Column (5) shows that discrimination against Albanians [ $P_{DA_B}$ ] is 36.5%, which is also the net discrimination [ $P_{ND_B}$ ] (since discrimination against Greek [ $P_{DG_B}$ ] is 0%). Net discrimination [ $ND_B$ ] was found to be statistically significant at the 1% level of significance (Table D, Appendix 1).

**Table 2 Insurance Coverage Registrations - Probability Results (%) -**

Outcomes	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Stage's One Equal Treatment Outcome	$P_{N_B}$	$P_{R_B}$	$P_{U_B}$	$P_{E_B}$	$P_{DA_B}$	$P_{DG_B}$	$P_{ND_B}$	$\chi^2$ Test
Office Jobs 30	36.66	23.33	40.00	83.33	16.66	0	<b>16.66</b>	2
Factories 47	19.14	8.510	72.34	73.52	26.47	0	<b>26.47</b>	9**
Restaurant and Café Services 84	48.80	22.61	28.57	45.83	54.16	0	<b>54.16</b>	13*
Shop Sales 32	37.50	25.00	37.50	50.00	50.00	0	<b>50.00</b>	6**
Total 193	37.82	19.68	42.48	63.41	36.58	0	<b>36.58</b>	30*

Note: Statistically significant at 1% (\*), 5% (\*\*).

Note that, while at the first stage, in 49.7% cases both candidates faced equal access to interview calls [ $P_{E_I}$ ], at the second stage both workers are offered insurance coverage [ $P_{E_B}$ ] by 63.4%. This finding highlights that the outcome: *equal chance of access to occupations*, is by no means discrimination free. On the contrary, as it turns out, it obscures discriminatory treatment. To this end, interestingly, Greek candidates were also found to face uninsured employment, yet in only 19.6% cases.<sup>16</sup>

As it comes to occupations, in office jobs Albanians faced the lowest net discrimination rate 16.6%, while that rate was 26.4% in factories, 50.0% in shop sales, and 54.1% in restaurant and café services. At the same time office jobs faced the highest equal treatment (83.3%), followed by factories (73.5%), restaurant and café services (45.8%), and shop sales (50.0%). Consequently, even in low skilled vacancies, more prestigious jobs entailed lower insurance coverage discrimination, even though Albanians faced lower occupational access there. Also, in factories where accident risk is higher, insurance coverage discrimination was, as expected, lower compared to restaurant-café services and shop sales.

<sup>16</sup> In most cases employers stated that employees must first accredit their skills, for a period, before they would be registered.

### 5.3 Wage Offers

At the third stage we are interested in measuring differences in wages offered, across potential employees, and we similarly concentrate on the equal treatment outcomes assigned at the first stage. As it is reported in Table 3, we found that Albanians receive monthly wage contracts 8.8% below those of Greeks: Employers are willing to pay the Greek (Albanian) candidate 641.06€ (584.04€). It therefore seems that an ethnic penalty, of 57.02€ per month, applies. In order to further evaluate our measurements, we subsequently compare the wages offered with the (legally binding) minimum wages, as the latter are defined by the National General Collective Employment Agreement (N.G.C.E.A.).

In Table 4 we present the minimum wages for unmarried employees and workers, in proportion to their work experience. Our candidates were unmarried and each had nine years of work experience. Minimum wage records were however available for two periods, January to September 2006, and September 2006 to May 2007, and because our experiment was conducted from May 2006 to January 2007, we used the average (minimum) wage rates of these two periods as a base of comparison.

**Table 3. Employers Wage Offers (€) – Discrimination Coefficient –**

Wage Measures	(1)	(2)	(3)	(4)	(5)
	Greek Mean Wage	Albanian Mean Wage	Difference in Ethnic Mean Wages	Discrimination Coefficient (%)	ANOVA F – statistic
Observations	$\bar{W}_G$	$\bar{W}_A$	$\bar{W}_G - \bar{W}_A$	$d = (\bar{W}_G - \bar{W}_A) / \bar{W}_G$	
Office Jobs 16	716.87	629.37	87.50	$d = 12.20$	13.35*
Factories 23	673.91	607.39	66.52	$d = 9.870$	12.00*
Restaurant and Café Services 38	599.21	562.89	36.31	$d = 6.060$	6.086*
Shop Sales 17	618.82	557.00	61.82	$d = 9.990$	3.958*
Total 94	641.06	584.04	57.02	$d = 8.890$	24.55*

Note: Statistically Significant at 1 %(\*).

**Table 4. Minimum Wages (€) for Unmarried Employees & Workers as defined by the N.G.C.E.A.**

<i>Periods</i>	<i>Work Experiences</i>	<i>No Experience</i>	<i>Three Year Experiences</i>	<i>Six Year Experiences</i>	<i>Nine Year Experiences</i>
<i>I. January to September 2006</i>		608.32	659.00	718.91	778.82
<i>II. September 2006 to May 2007</i>		625.97	678.11	739.76	801.41
<i>Average I &amp; II</i>		617.14	668.55	729.33	790.11

As it can be noted from the last rows of Tables 3 and 4, the mean wage offer for the Albanian candidates is found to be 5.3% below the no-experience minimum wage rate. Whilst, the Greek mean wage offer is found to fall between the no-experience and the three years of work-experience minimum wage rate. More importantly, we have estimated a variety of occupation-specific discrimination coefficients, ranging from 12.2%, in office jobs, to 6.0%, in restaurant and café services. Whilst, as our performed ANOVA F-statistic test assures, in all occupations the outcomes are found to be statistically significant at the 1% level (column 5 of Table 3).

#### *5.4 Regression Results*

Finally, we evaluate the effect of ethnicity on labour market discrimination, by means of our pair-wise (*OLS*) regressions (1)-(3) reported in Table 5. The equation's (1) estimations show that the Greek candidates face a higher probability of being invited to an interview, which is a statistically significant outcome, in all occupations, at the 1% level (column 5). Moreover, the equation's (2) estimations show that the Greek candidates face a higher probability of being registered with IKA, which, apart from office jobs and shop sales, is statistically significant at the 1% level (column 5). Whilst, the equation's (3) estimations show that the Greek candidates are also offered higher wage contracts, which, apart from shop sales, is a statistically significant outcome at the 1% level (Column 5).



**Table 5 Equation Estimations – Paired Difference -**

Occupations	(1)	(2)	(3)	(4)	(5)
Equations	Office Jobs	Factories	Restaurant and Café Services	Shop Sales	Total
(1)					
$\hat{\beta}$	1.049	0.462	0.318	0.687	0.577
z-statistic	(7.174)*	(3.625)*	(2.757)*	(4.603)*	(8.806)*
Observations	346	434	482	316	1578
(2)					
$\hat{\beta}$	0.270	0.2307	0.802	0.777	0.240
z-statistic	(0.656)	(2.432)*	(2.844)*	(1.901)	(3.853)*
Observations	38	76	86	40	240
(3)					
$\hat{\beta}$	87.50	66.52	36.31	61.76	57.02
t-statistic	(3.653)*	(3.464)*	(2.467)*	(1.989)	(4.955)*
Observations	32	46	76	34	188

Note: Statistically Significant at 1 %(\*).

## 6. Employers Elucidate Wage Discrimination

In this section we report the findings of our second experiment, conducted in order to evaluate to which extent the taste, statistical, and profit maximization-compatible hypotheses, may consistently interpret our correspondence test's results regarding wage discrimination. For that experiment, we have utilized an indirect approach as follows.

Those employers who had invited both candidates for interview were telephoned, we told them that we are engaged in a research project, and they were asked to rationalize (if they wish so) the factors which were responsible for wage discrimination, already evidenced in their sector, by choosing among alternative (proposed) causations. Since the interviewed employers had themselves already decided the outcome of our correspondence test regarding wage discrimination, our aim at this instance was to implicitly make them bring in to light the scope of reasons they did so. Of course, our interviews were applied without revealing to employers either their participation in the correspondence test or in the current experiment.

Specifically, after we had introduced to them the “fact”: *based on a current university research conducted to your sector, regarding male Greeks and Albanians, having the same age, equal qualifications and experience, Albanians were found to face wage discrimination*, employers were asked to confirm or not the following propositions (see, e.g., Appendix 2).

Proposition 1: *Do you believe that the Greeks' higher wages come from dislike against Albanians?*

Proposition 2: *Do you believe that the Albanians' lower wages come from ambiguities concerning their productivity?*

Proposition 3: *Do you believe that the Albanians' lower wages is a firms' profit maximization strategy, apart from what it is entailed in Proposition 2?*

In Table A (Appendix 2) we report the received probability results regarding proposition 1. While the “dislike” against Albanians is found to account for the 24.2% (column 2), it had nothing to do with wage discrimination in all other (75.5%) cases (column 3). As tested by the  $z$  criterion for differences in percentages, this difference is found to be statistically significant at the 1% level (column 4).

In Table B (Appendix 2) we respectively report the probability results for Proposition 2. Although, based on our introductory “fact,” Greeks and Albanians had equal human capital, there were still beliefs amongst employers (19.6%) that ambiguities’ concerning Albanians’ productivity can be a factor for wage discrimination (column 2). However, the employers’ vast majority (84.3%) does not seem to believe that (column 3). This difference is similarly found to be statistically significant (column 4).

In Table C we report the probability results assigned for Proposition 3. Interestingly, approximately three out of four employers (73.6%) seem to believe that wage discrimination is a firms’ profit strategy, apart from what is entailed in propositions 2 (column 2). That difference as well found to be statistically significant (column 4).

In Table D we report the probability results concerning how employers (as they had effectively been asked to) weigh the three hypotheses/explanations of wage discrimination. Employers were found to “put the blame” on taste discrimination by 7.8% (column 1), on statistical discrimination by 9.6% (column 2), while their vast majority, on profit strategies by 84.4% (column 3). Focusing on the two most preferable, we have subsequently tested their significance. We conclude that profit strategies, rather than statistical discrimination, is the factor which employers accuse most for wage discrimination (column 4).

Last, but not least, in Table E we report the probability results concerning how employers weigh their *second best* choice. To that end, employers were found to “put the blame” on statistical discrimination, by 82.8% (column 2), on profit strategies, by

15.9% (column 3), and on taste discrimination, by only 2.4% (column 1). Hence, interestingly, the statistical hypothesis of wage discrimination was found to be the employers' (statistically significant) second best explanation (column 4). Moreover, for robustness, employers were asked by "how much" prefer their first best choice (Table D), to their second best one (Table E). Table F displays that the employers' vast majority (88.4%) prefers by "very much" their first best choice, while only 11.5% prefers it by "quite a lot," a difference which is also found to be statistically significant (Table 4).

## 7. Conclusions

In January 2005 Greece adopted the two European anti-discrimination Directives. The purpose of those directives was to lay down a framework for combating discrimination, as regards employment and occupation, on the grounds of religion or beliefs, disability, age or sexual orientation. The Directives make clear that people affected by discrimination should have adequate means of legal protection and an effective right of redress in order to be able to get things put rights. Presumably, therefore, workplace equality has currently the backing of the law. However, a history of discrimination can't turn overnight. The law on its own can chance very little of it.

In this study we investigate the extent of ethnic discrimination in the labour market using field data. We have used correspondence testing to examine directly whether ethnic discrimination currently exists in the Greek labour market. In particular, we are interested in whether low skilled Albanians face discriminatory treatment compared to -equal human capital endowed- Greeks. In previous studies, field experiments have been also used to test for discrimination in hiring. In this paper, while we also focus on the hiring process, we have extended the scope of analysis by gathering information on insurance coverage registrations, as well as on wage offers. Moreover, we have conducted a second experiment, by indirectly asking those who are effectively deciding the discriminatory outcomes (i.e., the employers) to "put the blame" on particular reasons.

The conclusion of our both experiments is that ethnic discrimination in the Greek labour market is still significant. According to the *International Labour Organization* measurement standards, we have estimated that Albanians face 43.5% less chance of access to occupations. Moreover, concentrating on the 49.7% equal chance (of access to occupations) cases, we argue that Albanians face 36.5% less

chance of being registered with insurance coverage, while their potential wage contracts are 8.8% below those of Greeks and 5.3% below the legal minimum wage. Interestingly, employers themselves “put the blame” for that, on profit strategies (by 84.4%), on statistical discrimination (by 9.6%), and on taste discrimination (by 7.8%).

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## Appendix 1

**Table (A) Invitation to Interviews - Goodness of fit Kolmogorov-Smirnov Test -**

Test Value	Kolmogorov – Smirnov test
Outcomes	
$E_I$	0.269
$DA_I$	0.344
$DG_I$	0.329
$ND_I$	0.332

*Note: Statistically insignificant.*

**Table (B) Invitation to Interviews - Conditional Sign Test -**

Conditional Discrimination $DA_I + DG_I$	Greek Favored Sign Proportion	Conditional Sign test
69	+	
41	+	0.0625
40	+	
45	+	

*Note: The conditional event is the no discrimination outcome of only one tester.*

**Table (C) Invitation to Interviews - Test of Homogeneity with Pooled Estimator -**

Occupations	Pooled Estimators	Homogeneity test
Ethnic Discrimination		
$DA_I$	0.933	4.471
$DG_I$	0.067	

**Table (D) Insurance Coverage Registration - Goodness of fit Kolmogorov-Smirnov Test -**

Test Value	Kolmogorov – Smirnov test
Outcomes	
$E_B$	0.251
$DA_B$	0.131
$ND_B$	0.131

**Table (E) Insurance Coverage Registration – Conditional Sign Test -**

Conditional Discrimination $DA_B + DG_B$	Greek Favored Sign Proportion	Conditional Sign Test
2	+	
9	+	0.0625
13	+	
6	+	

*Note: The conditional event is the no discrimination outcome of only one tester.*



## Appendix 2

### Experiment 2 – Questionnaire – Propositions -

Fact

*Based on a current university research conducted to your sector, regarding male Greeks and Albanians, having the same age, equal qualifications and experiences, Albanians were found to face wage discrimination.*

*Proposition1. Do you believe Greeks higher wages come from dislike against Albanians?*

*(a) I don't know (b) Yes (c) No*

*Proposition2. Do you believe Albanians' lower wages come from ambiguities concerning their productivity?*

*(a) I don't know (b) Yes (c)*

*Proposition3. Do you believe Albanians' lower wages is a firms' profit maximization strategy, apart from what it is entailed in proposition 2?*

*(a) I don't know (b) Yes (c)*

#### Conclusive Remarks:

I. Wage discrimination against Albanians is due to:

(a) I don't know

(b) Dislike?

(c) Ambiguities concerning their productivity?

(d) Firms' profit strategy, apart from (c)?

II. Which is your second best choice: (a)? (b) ? (c) ? (d)?

III. Would you prefer your first to the second best choice by:

(a) I don't know (b) A small amount? (c) Quite a lot? (d) Very much?

**Table (A) Employers Interview Probability Results - Proposition 1 -**

Outcomes	(1)	(2)	(3)	(4)
	I Don't Know	Yes	No	z
Occupations	%	%	%	Test
Correspondence's Test				
Equal Treatment Cases				
Office Jobs	0	45.83	54.16	0.590
24		11	13	
Factories	0	7.80	87.17	7.017*
39		5	34	
Restaurant and Café Services	0	20.77	79.22	7.551*
77		16	61	
Shop Sales	0	32.00	68.0	2.553**
25		8	17	
Total	0	24.24	75.75	8.73*
165		40	125	

*Note: The z test is carried out between the "yes" and "no" outcomes. Statistically significant at 1% (\*), 5% (\*\*).*

**Table (B) Employers Interview Probability Results - Proposition 2 –**

Outcomes	(1)	(2)	(3)	(4)
	I Don't Know	Yes	No	z
	%	%	%	Test
Occupations				
Correspondence's Test				
Equal Treatment Cases				
Office Jobs	0	37.5	62.5	1.773
24		9	15	
Factories	2.564	15.78	84.21	6*
39	1	6	32	
Restaurant and Café Services	6.493	6.944	93.05	11.181*
77	5	5	67	
Shop Sales	0	40.0	60.0	1.418
25		10	15	
Total	3.636	19.6	84.31	11.981*
165	6	30	129	

Note: The z test is carried out between the "yes" and "no" outcomes. Statistically significant at 1% (\*).

**Table (C) Employers Interview Probability Results – Proposition 3 –**

Outcomes	(1)	(2)	(3)	(4)
	I Don't Know	Yes	No	z
	%	%	%	Test
Occupations				
Correspondence's Test				
Equal Treatment Cases				
Office Jobs	12.5	66.66	33.33	2.205**
24	3	14	7	
Factories	10.25	57.14	42.85	1.211
39	4	20	15	
Restaurant and Café Services	7.799	80.28	19.71	7.297*
77	6	57	14	
Shop Sales	16.00	85.71	14.28	4.730*
25	4	18	3	
Total	10.3	73.64	26.35	8.296*
165	17	109	39	

Note: The z test is carried out between the "yes" and "no" outcomes. Statistically significant at 1% (\*), statistically significant at 5% (\*\*).

**Table (D) Employers Interview Probability Results – Conclusive Remark I -**

Outcomes	(1)	(2)	(3)	(4)
	Taste	Statistical	Profit Max	z
	%	%	%	Test
Occupations				
Correspondence's Test				
Equal Treatment Cases				
Office Jobs	8.333	16.66	75.0	4.225*
24	2	4	18	
Factories	5.128	12.82	82.05	6.285*
39	2	5	32	
Restaurant and Café Services	3.896	2.599	93.5	11.330*
77	3	2	72	
Shop Sales	24.0	20.0	56.0	2.756*
25	6	5	14	
Total	7.878	9.696	82.42	13.964*
165	13	16	136	

Note: The "I don't know" outcome is zero in all occupations. The z test is carried out between the most preferable outcomes. Statistically significant at 1% (\*).

**Table (E) Employers Interview Probability Results – Conclusive Remark II -**

Outcomes	(1)	(2)	(3)	(4)
Occupations Correspondence's Test Equal Treatment Cases	Taste %	Statistical %	Profit Max %	z Test
Office Jobs 24	0	75.0 18	25.0 6	3.467*
Factories 39	0	84.61 33	15.38 6	6.121*
Restaurant and Café Services 77	5.194 4	88.31 68	6.493 5	10.52*
Shop Sales 25	0	64.0 16	36.0 9	1.985
Total 165	2.424 4	82.82 135	15.95 26	12.178*

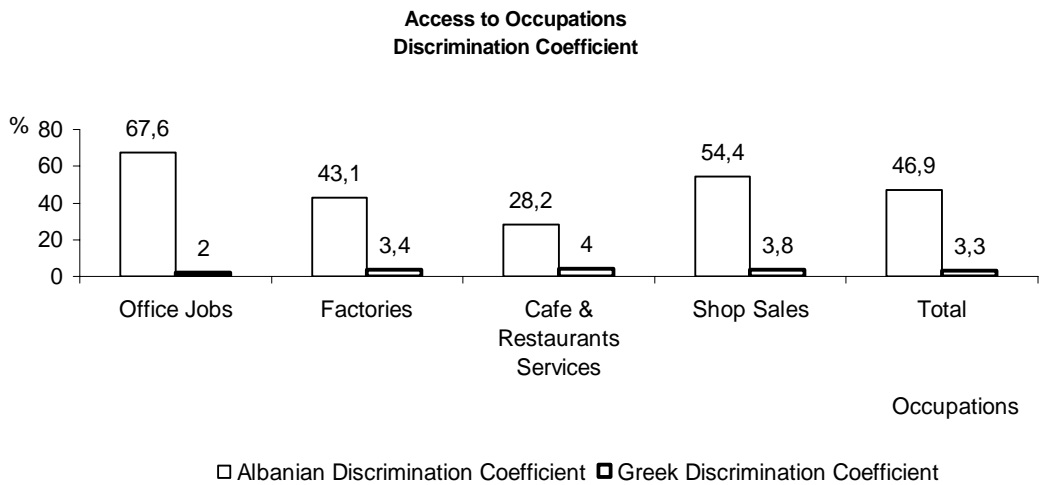
*Note: The "I don't know" outcome is zero in all occupations. The z test is carried out between the two most preferable outcomes. Statistically significant at 1% (\*).*

**Table (F) Employers Interview Probability Results – Conclusive Remark III -**

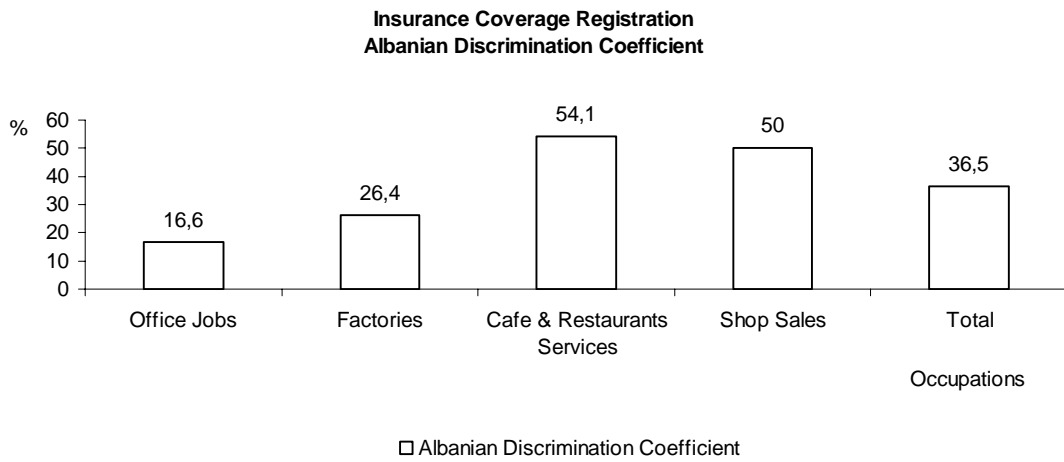
Outcomes	(1)	(2)	(3)	(4)
Occupations Correspondence's Test Equal Treatment Cases	A Small Amount %	Quite a Lot %	Very Much %	z Test
Office Jobs 24	0	8.333 2	91.66 22	4.989*
Factories 39	0	7.692 3	92.3 36	7.486*
Restaurant and Café Services 77	0	10.38 8	89.61 69	10.289*
Shop Sales 25	0	24.0 6	76.0 19	3.687*
Total 165	0	11.51 19	88.48 146	14.25*

*Note: The "I don't know" outcome is zero in all occupations. The z test is carried out between the most preferable outcomes. Statistically significant at 1% (\*).*

**Figure 1**



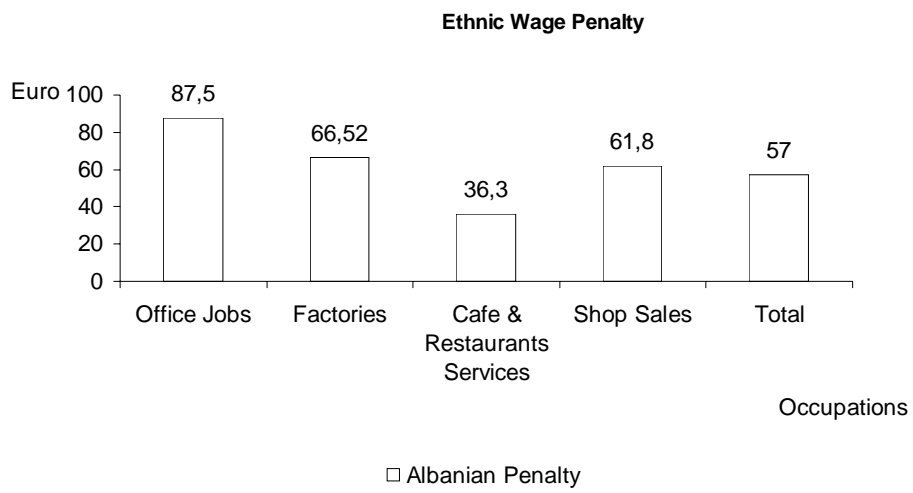
**Figure 2**



**Figure 3**



**Figure 4**



**Figure 5**



## Curriculum Vitae by Pair of Applicants – Synopses

### Applicant A

#### Curriculum Vitae

**First Name:** Greek/Albanian

**Last Name:** Greek/Albanian

**Ethnicity:** Greek/Albanian

**Marital Status:** Unmarried

**Date of Birth:** .../.../1978

**Address:** Location

**Telephone:** Mobile

**Military Services:** Location, Carried Out in 1998

#### Education:

Certificate of Greek high school in 1996 - Location

Basic Knowledge of English and P/C

Driving License

#### Professional Experience:

From August 1998 to January 2000      Appointment/ Firm

From March 2000 to March 2003      Appointment/ Firm

From April 2003 to ...2006/7      Appointment/ Firm

**Interests:** Travels and Sports. **Personal Characteristics:** Productive and Associable.

### Applicant B

#### Curriculum Vitae

First Name Albanian/Greek

Last Name Albanian/Greek

Date of Birth .../.../1978

Marital Status Unmarried

Ethnicity Albanian/Greek

Address Location

Telephone Mobile

#### Experience

Appointment/ Firm      February1998- November1999

Appointment/ Firm      December1999-July 2004

Appointment/ Firm      August2004-...2006/7

#### Education

Certificate of Greek high school in 1996 - Location

English Basic Knowledge

P/C Basic Knowledge

#### Personal

Military Services Carried Out in 1998

Hobbies Music, Cinema, Sports

Personality Industrious, Efficient

Driving License