

# **Diversity and Global Policy: Targeted Public Policies**

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# Our Roadmap

- **Universal public policies**
  - Minimum wages
- **Targeted public policies (today's lecture)**
  - Quotas
  - Other forms of affirmative action
- **Firm policies**
  - Smart work
  - Hiring strategies
- **The role of civil society**
  - Social movements and political activism

# A Working Definition

*“Affirmative action (also known as positive action or positive discrimination) involves sets of policies and practices within a government or organization seeking to include particular groups that were historically discriminated against in areas in which such groups are underrepresented, mistreated, or suffer from lack of public support – such as education and employment.”*

*Source: Wikipedia*

# Some Historical Background

**1961:** Executive Order No. 10925 (signed by John F. Kennedy)

Required government contractors to “take affirmative action to ensure that applicants are employed, and employees are treated [fairly] during employment, without regard to their race, creed, color, or national origin.”

**1964–1965:** The Civil Rights Act and Executive Order 11246 (signed by Lyndon B. Johnson)

Prohibited discrimination based on race, color, religion, sex, or national origin.

*“[The Civil Rights Act will also] prohibit preferential treatment for any particular group.”*

*“I will eat my hat if this leads to racial quotas.”*

*(Senator Hubert Humphrey)*

# Affirmative Action in Practice

Affirmative action is a set of targeted policies that attempt to correct the lack of opportunities for defined minority groups.

They are meant to be short to mid-term policies that will eventually be discontinued.

Most policies involve preferential treatment for targeted groups.

Most initiatives involve explicit or implicit quota systems.

# Affirmative Action in Practice

Some examples of explicit and hard quotas:

- In Brazil, up to 20% of vacancies are reserved for people with disabilities in the civil public services.
- In Norway, in all public stock company boards, either gender should be represented by at least 40%.

Some examples of implicit and soft quotas:

- A company tells hiring committees to side with women on marginal recruitment cases.
- An organization targets gender parity but does not enforce it rigidly.

# A Controversial Issue

But affirmative action is controversial, and public opinion on the subject is divided. Common critiques include:

- Replaces old wrongs with new wrongs (new form of discrimination)
- Undermines the achievements of minorities (“quota people”)
- Encourages individuals to identify themselves as disadvantaged, even if they are not (i.e., fraud)
- Benefits the more privileged people within minority groups at the expense of the least fortunate within majority groups
- Lowers incentives of both the preferred and non-preferred to perform

## The Next Affirmative Action Battle May Be at West Point

Students for Fair Admissions won its Supreme Court case against the University of North Carolina. Now, it's focusing on target: the military academies.

By ANEMONA HARTCOOLIS

### North Carolina Trustees Say Race Can't Be Considered in Hiring or Admissions

Sept. 7, 2023

The decision by the University of North Carolina at Chapel Hill's trustees came after the Supreme Court's unconstitutional.

By MITCH SMITH



July 22, 2023

LETTERS

### Complicated Stories of Affirmative Action

Readers react to John McWhorter's account of how it affected his education and career. Also: Race and artistic achievement.



## The Top U.S. Colleges With the Greatest Economic Diversity

The college

By DAVID LEON

July 13, 2023

Rank	College	Freedom Poll Score
1	Brown College	94%
2	Stanford College	89%
3	CLARK University	88%
4	College of Mount St. Vincent	82%
5	College of the Holy Cross	80%

## How Affirmative Action Changed Their Lives

Three Americans discuss how their prospects were shaped by the policy and what they think about a future without it.

Sept. 19, 2023

## Anti-Affirmative Action Group Sues West Point Over Admissions Policy

The Supreme Court ruling barring race-conscious admissions to colleges should apply to the U.S. Military Academy, the group argues.

July 8, 2023

## He Worked for Years to Overturn Affirmative Action and Finally Won. He's Not Done.

Edward Blum's latest victory at the Supreme Court is the culmination of a long fight to take race out of college admissions. Is the workplace next?

By LULU GARCIA-NAVARRO



So what does the data say?

As usual, it tells a complicated and messy story...

Let's start with quotas in politics...

# The Indian Reservation System

The reservation system provides historically disadvantaged groups representation in education, employment, government schemes, scholarships, and politics.

**Since 1937:** Scheduled castes (SCs) benefit from electoral quotas.

**Since 1993:** Women benefit from electoral quotas.

India's state governments conduct elections at local levels.

Local bodies (i) possess powers of expenditure and oversight, and (ii) one-third of the seats in these local bodies are reserved for women.

Seats reserved for women are **randomly chosen** and change from election to election.

# Effects on Policies

Chattopadhyay and Duflo (2004) exploit the 1993 reform to study the effects of quotas on policy decisions.

They compare villages where the head of the council is reserved for a woman to villages where it is not.

**Main result:** Leaders invest more in infrastructure that is directly relevant to the needs of their own genders.

The authors focus on West Bengal and Rajasthan.

In West Bengal, women complain more often than men about drinking water and roads, and there are more investments in drinking water and roads in councils reserved for women.

In Rajasthan, women complain more often than men about drinking water but less often about roads, and there are more investments in water and less investment in roads in councils reserved for women.

# Effects on Crime Reporting

Iyer et al. (2012) exploit the 1993 reform to study the effects of gender quotas on crime reporting.

They exploit the staggered introduction of quotas across states (i.e., difference-in-differences empirical strategy).

**Main result:** A large and statistically significant increase in the number of documented crimes against women.

Across all categories, documented crimes against women rose by 46%.

Rapes increased by 23%, and kidnapping of women by 13%.

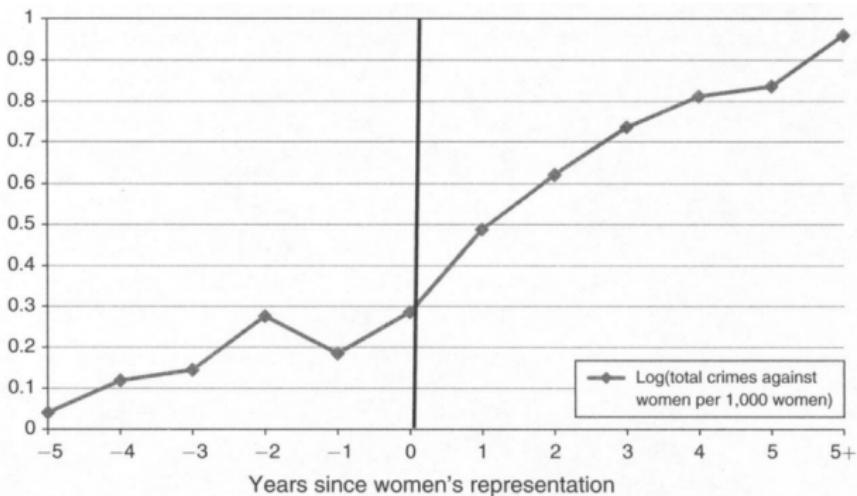


FIGURE 2. YEAR-BY-YEAR EFFECTS OF WOMEN'S EMPOWERMENT

*Notes:* Each point on the graph represents the impact of women's representation on total crimes against women after a given number of years. The zero point on the x-axis represents the year of the reform. The dates of reform vary across states as documented in Table 1.

# Effects on Future Female Political Representation

Beaman et al. (2009) assess the longer run of gender quotas on female political participation.

They focus on the 2008 elections (i.e., ten years after the introduction of reserved seats for women).

**Main result:** Almost twice as many women stood for, and won, pradhan positions (i.e., head councilors) in councils where the position had been reserved for women in the previous two elections (relative to councils that never had a reserved seat).

Why is that?

Because voter attitudes towards female leaders changed.

Repeated exposure improves voter evaluation of female pradhans:

- Female pradhans in councils reserved for a female pradhan for the first time receive worse evaluations (relative to pradhans in councils where the pradhan position has never been reserved).
- However, this is not true for women elected pradhan in councils reserved for a female pradhan the second time.

Using data from Mumbai, Bhavnani (2009) also studies the longer-run effects of quotas once they are discontinued.

**Main results** for constituencies being reserved for women in the previous election relative to constituencies that were not:

- Women are more likely to run for office.
- The probability of a woman winning office is approximately five times larger.
- Parties learn that women can win elections and are more willing to give them a shot.

# Effects on Younger Generations of Women

Forced female political representation changes voters' and parties' attitudes. Does it also affect younger generations of women? Yes!

Beaman et al. (2012) administer 8453 surveys of adolescents aged 11 to 15 and their parents in 495 villages.

**Main results** in villages assigned a female leader for two election cycles relative to villages in which such positions were never reserved:

- The gender gap in aspirations closed by 20% in parents and 32% in adolescents.
- The gender gap in adolescent educational attainment was erased, and girls spent less time on household chores.

# Quotas for Scheduled Castes

But the positive effects of quotas are not a given (Bhavnani, 2017).

Electoral quotas for India's "scheduled castes" (SCs) fail to boost SCs' chances of winning office after they are discontinued.

This holds in the short and long run (30 years later).

In fact, SC incumbents are forced out due to their poor performance in office, and because parties and/or voters discriminate against them.

The poor performance of SCs in office might also explain why exposure to SC leaders does not appear to reduce bias.

Moving to quotas in business... There are two well-studied cases:  
Norway and Italy.

*It's just a terrible thought having to lay off people, because we like our employees and we need them. And they are well-trained, and they're loyal. And they have been working for us for decades, some of them, or many of them have. And it's just a terrible thought to have to send them away.*

— Nicola Leibinger-Kammüller, CEO, TRUMPF Group  
(*PBS NewsHour*, February 8, 2012)

*When you make a decision, whatever that decision is whether it's about an acquisition, whether it's about anything, [being a woman] just makes you more sensitive to everyone that's involved, everyone that's involved; their health care, their retirement, all their benefits.*

— Female corporate board member  
(*Broome, Conley, and Krawiec 2011, 794*; repetition in original)

# The Case of Norway

**2003:** Law mandating 40% representation of each gender on the board of public limited liability companies.

Matsa and Miller (2013) study the reform's effect on corporate policies, taking non-affected firms as a control group.

Affected firms undertake fewer workforce reductions, increasing relative labor costs and employment levels and reducing short-term profits.

The effects are strongest among firms without female board members beforehand.

Bertrand et al. (2019) study female labor market prospects following the reform:

- Women appointed to boards post-reform were observably more qualified than their female predecessors along many dimensions, and the gender gap in earnings within boards fell substantially.
- No effect on the larger set of women employed in these companies, even for highly qualified women whose qualifications mirror those of board members.

**Authors' conclusions:** *“Overall, seven years after the board quota policy fully came into effect, we conclude that it had very little discernible impact on women in business beyond its direct effect on the women who made it into boardrooms.”*

# The Case of Italy

**2011:** The “Golfo-Mosca” law mandates gender-balanced representation on the board of directors of Italian listed companies.

**2012:** 20% of women, increased to 30% for the following two board elections.

**2019:** Extension and increase of the quotas (now 40%) for three additional elections.

Valeria et al. (2022) study the first target of 20%.

The quota law does not apply to all firms at the same time, as in Italy board elections are held every three years on a date decided by each firm, and the year of board election depends on the past.

### **Main results:**

- Higher share of women directors (well above the required threshold), higher average education levels, and lower age of board members.
- Quotas are not associated with significant effects on firm performance.
- The presence of female directors reduces the variability of stock prices.

Quotas are also implemented in education...

# Quotas in Indian Universities

Bagde et al. (2016) study an admissions policy that fixes percentage quotas, common across more than 200 engineering colleges in India for disadvantaged castes and women.

The program increases the college attendance of targeted students, particularly at relatively higher-quality institutions.

There is no evidence that the policy harmed beneficiaries by placing them in academic programs for which they are ill-prepared (i.e., rejection of the “mismatch hypothesis”).

# Incentives to Fraud

Identity-based policies may incentivize individuals to fake their group membership to benefit from these targeted policies.

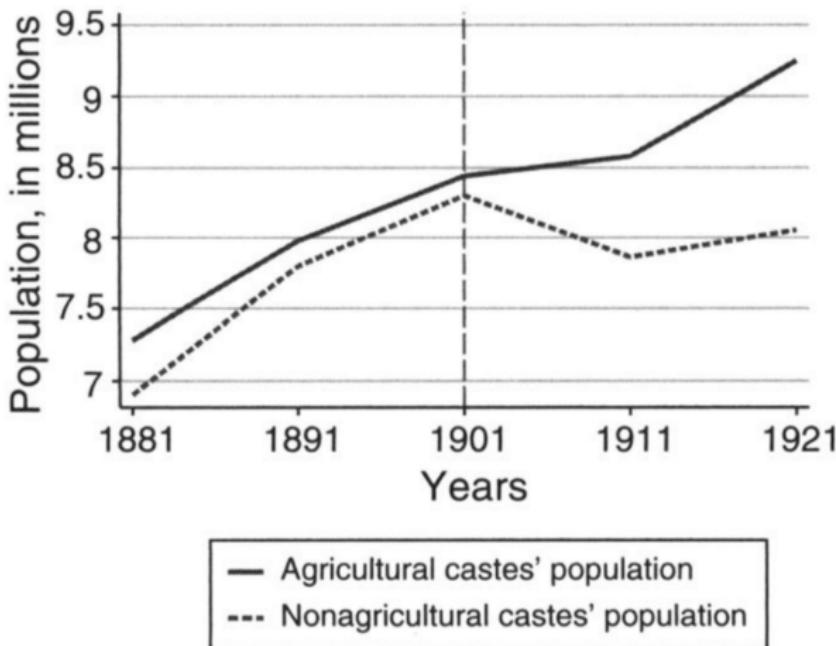
**1901:** Punjab Alienation of Land Act creates “agricultural castes” the membership of which is quasi-compulsory to acquire land.

Cassan (2015) documents that a movement of identity manipulation took place in response to the law.

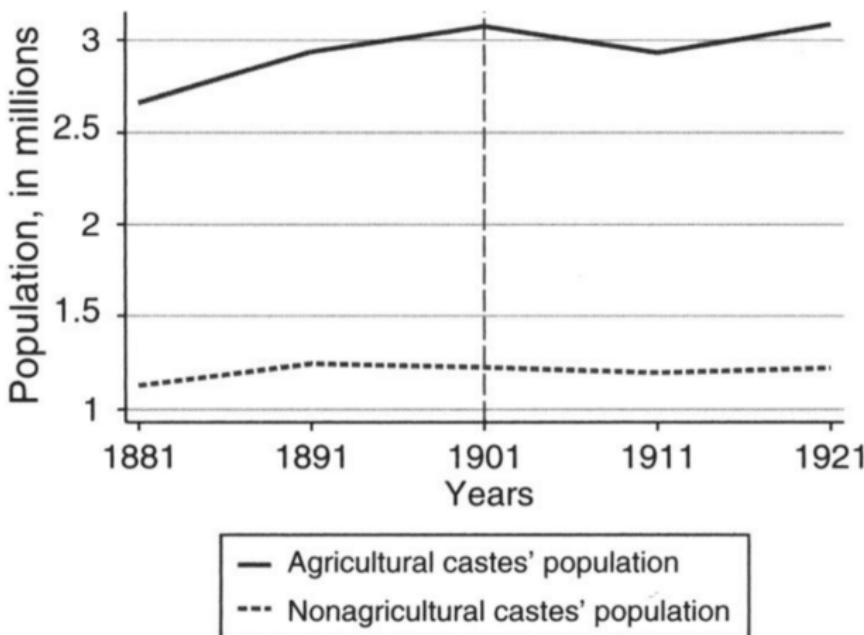
In 20 years, 7.5 percent of the population that had an incentive to do so manipulated its identity.

The amount of mistargeting caused by this manipulation is between 3.9 percent and 8.2 percent of the land distributed!

## Massive increase in “agricultural caste memberships”



## No such effect in neighboring states unaffected by the law



# Soft versus Hard Quotas

In many contexts, quotas are not necessarily explicit.

*e.g., A company tells managers to hire women when they are on the fence for some candidates.*

*e.g., A company informally mandates that job offers to men can only be made if qualified female applicants reject the job.*

*e.g., A company aims for gender parity and encourages hiring managers to hire an equal number of men and women but does not enforce it.*

In all these examples, the goal is clearly to increase gender parity to reach some loosely specified target.

⇒ No clean empirical evidence on which strategy is most beneficial.

# Some Open Questions

By now, more than 100 countries have mandated quotas in some way or another, and hundreds of research studies have assessed their effects.

Nonetheless, many open questions remain:

- How should the “optimal” level of quotas be determined *ex-ante*?
- When should quotas be discontinued?
- Which characteristics should governments and companies focus on?
- If characteristics are only proxies for disadvantaged individuals, how can organizations limit mistargeting issues?

Bagde, S., Epple, D., and Taylor, L. (2016). Does affirmative action work? caste, gender, college quality, and academic success in india. *American Economic Review*, 106(6):1495–1521.

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Matsa, D. A. and Miller, A. R. (2013). A female style in corporate leadership? evidence from quotas. *American Economic Journal: Applied Economics*, 5(3):136–169.

Valeria, F., Profeta, P. A., Pronzato, C. D., et al. (2022). Do board gender quotas matter? selection, performance, and stock market effects. *MANAGEMENT SCIENCE*, 68(8):5618–5643.

# Tips for the Exam

Have a good knowledge of the main empirical settings used to study the effects of quotas in politics, business, and education.

Understand the arguments for and against quotas, and how empirical evidence sheds some light on the validity (or not) of these arguments.