

Hidden Discrimination in Frictional Labor Markets

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NBER

Introduction

- Labor market frictions shape the **skills employers value**.
- “Soft” skills are hard to observe → carry **identity** connotations.
- **Frictions and discrimination**: addressing frictions via technology changes which skills matter; since skills are connected to identity, this shifts hiring choices in a way that affects the extent of discrimination.
- Different from standard framework: solving frictions can **amplify gaps**.

Focus: Women entry in male-dominated sectors

We study hiring in **921 SMEs in Uganda**: mechanics, welding, carpentry.

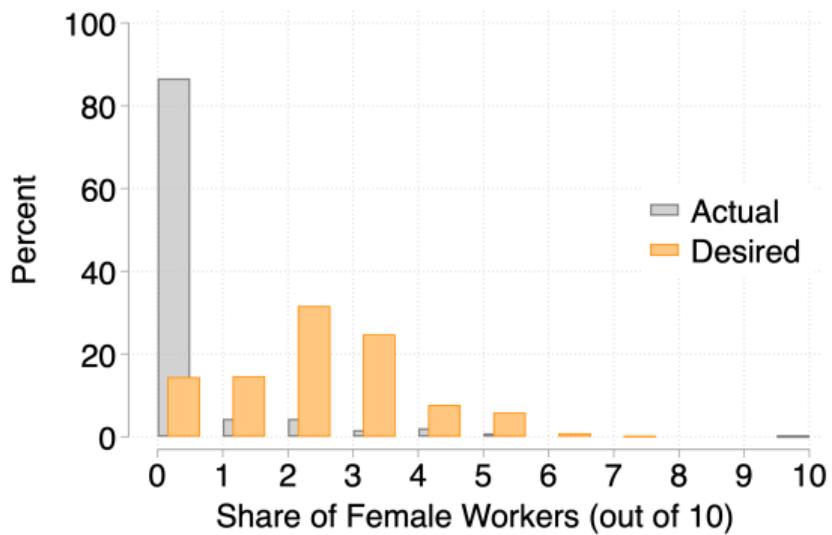
Sub-Saharan Africa:

- Despite high female labor force participation (+70%), extreme gender segregation.
- Policies promote women's entry, but **demand-side barriers?**



Unmet Demand for Female Workers

Actual vs. Desired (“Best”) Share of Female Workers



Desired female share is
10× actual: 2% actual
→ **20% best**

Why not hiring more
women? **No supply**
(77.4%)

Experimentally Measure Demand for Female Workers

Relax supply constraint

Limited supply of female workers

- Opportunity to hire from VTI: male or female trainees
- Incentivized experiment



Design

Build hypothetical trainee profiles from VTI admin data

VT Worker Profile 1

Personal Details

female, 23 years old
Married
Ugandan nationality



Educational background and skills

Educational achievement: Secondary School (S6)
Spoken Language(s): Luganda and english
Drivers Licence: No

Vocational training and experience

Training: 6+ months at Kyeyunga Vocational and Technical School in Kawempe

Ranking in VT: 5 out of 5 (first class)

Certificate: No certification exam taken

Motivation

I want to learn practical skills that I can apply in life.

References

Please, call the training center manager Ja Ma at 774 9

VT Worker Profile 2

Personal Details

male, 25 years old
Single
Ugandan nationality



Educational background and skills

Educational achievement: Secondary School (S4)
Spoken Language(s): Luganda and Alur
Drivers Licence: Yes

Vocational training and experience

Training: 12+ months at Kyeyunga Vocational and Technical School in Kawempe

Ranking in VT: 3 out of 5

Certificate: No certification exam taken

Motivation

I want to help out my parents and siblings because they are not well off

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Design

For each profile, cross-randomize gender × skill level

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Employers complete **24 incentivized profile evaluations**

- see one version of each profile
- choose who they want to “meet”
- choices → **trainee referrals**

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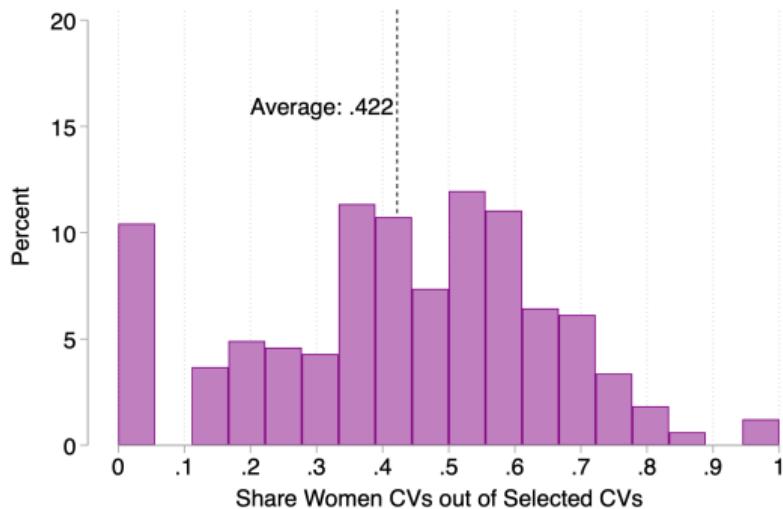
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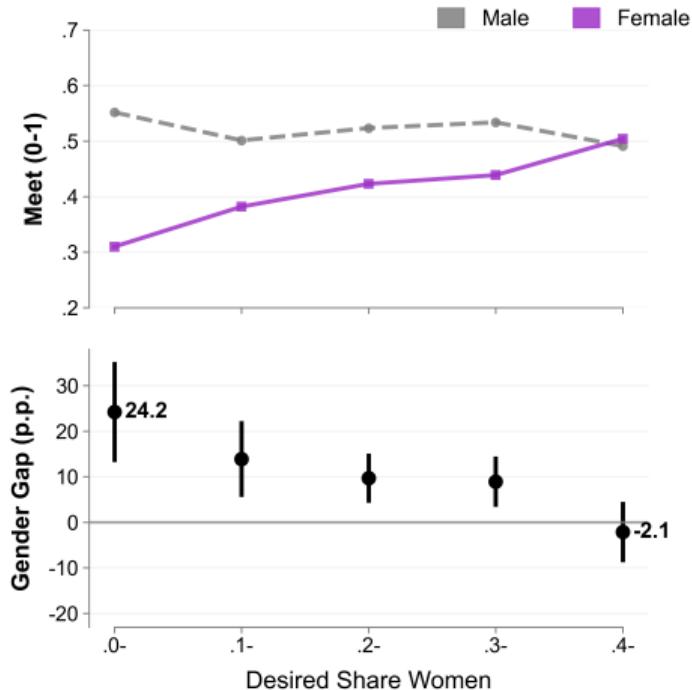
Demand for Female Workers in the Experiment

Selected Profiles That Are Female



- Gender hiring gap: **10 p.p.**
- Much smaller than hiring studies in similar context ($\approx 50\%$ lower than Buchmann et al. 2025)

Stated Preferences Predict the Gender Gap



Demand for women increases in stated preferences for women in workplace.

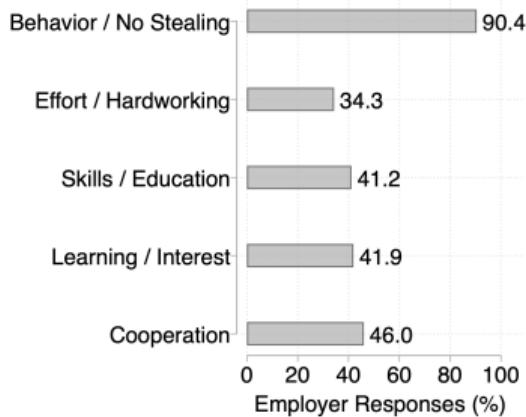
Employers in the **top 20%** of stated preference: hiring gender gap \approx **zero**.

Frictions and Gendered Beliefs

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Monitoring frictions affect the demand for skills.

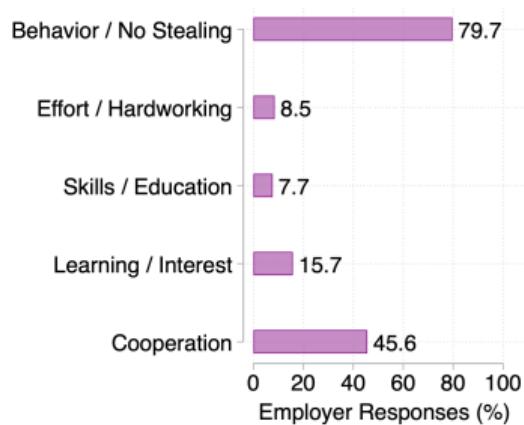
Hardest to Find Skills



Frictions and Gendered Beliefs

Monitoring frictions:
gendered.

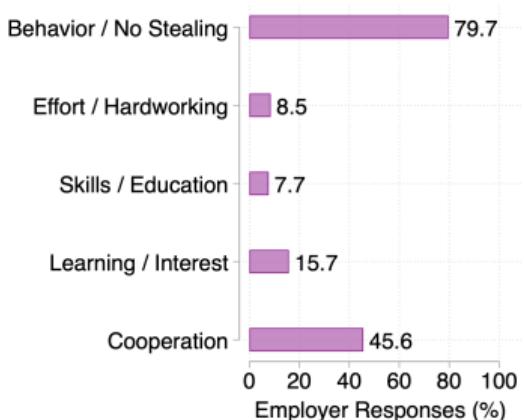
Women Rated Better At



Frictions and Gendered Beliefs

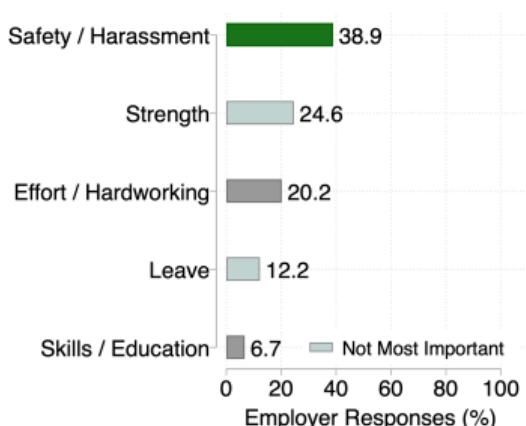
Monitoring frictions:
gendered.

Women Rated Better At



Safety concerns:
gendered.

Worries If Hiring Women



Does Solving Frictions Affect the Gender Gap?

Introduce **gender-neutral monitoring technology**: external audits

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Treatment Assignment: 3 Monitoring Regimes

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No external monitoring.

Business as usual.

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Monitoring – Behavior

External audits focus on
workers' behavior:
prevent stealing.

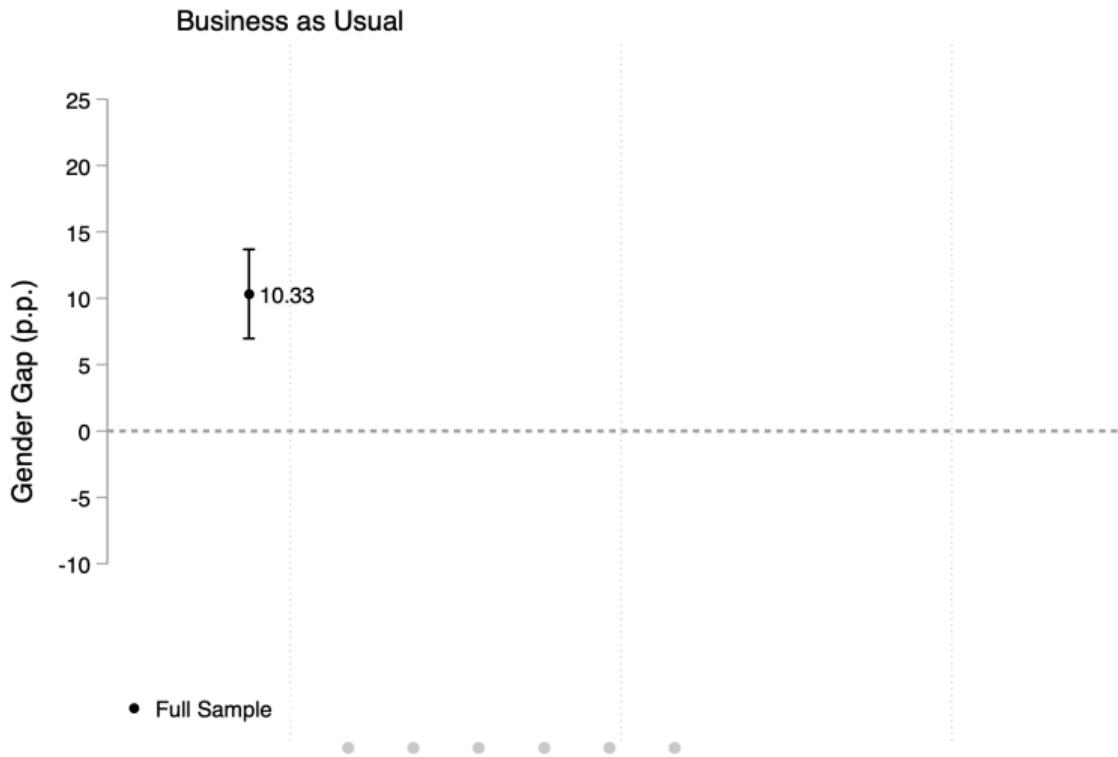
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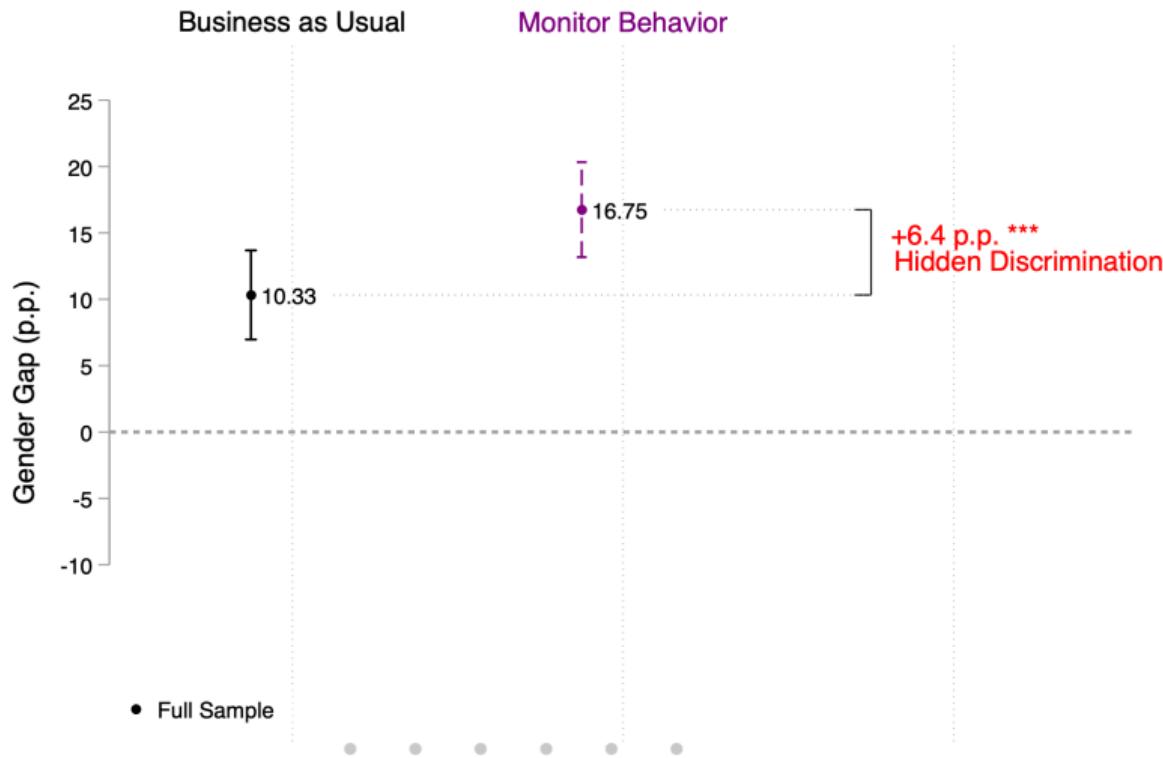
Treatment Assignment: 3 Monitoring Regimes

Control	Monitoring – Behavior	Monitoring – Safety
No external monitoring. Business as usual.	External audits focus on workers' behavior: prevent stealing.	External audits focus on workplace safety and harassment risks.

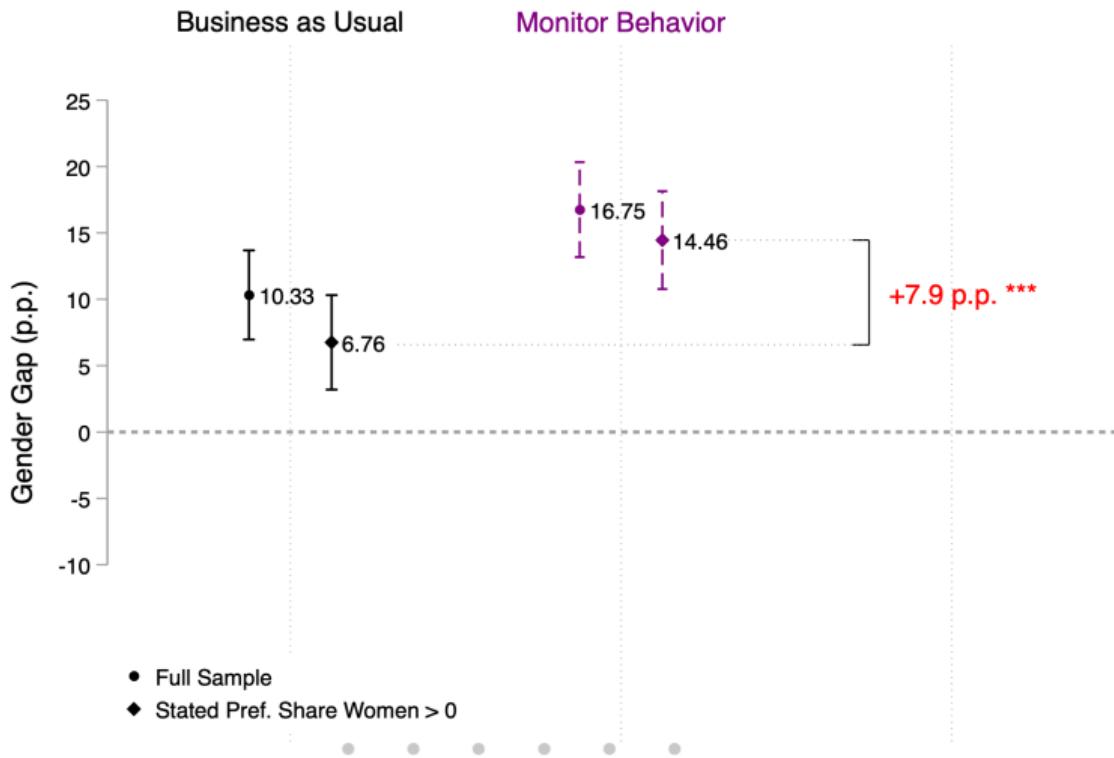
Do Audits Affect the Gender Gap?



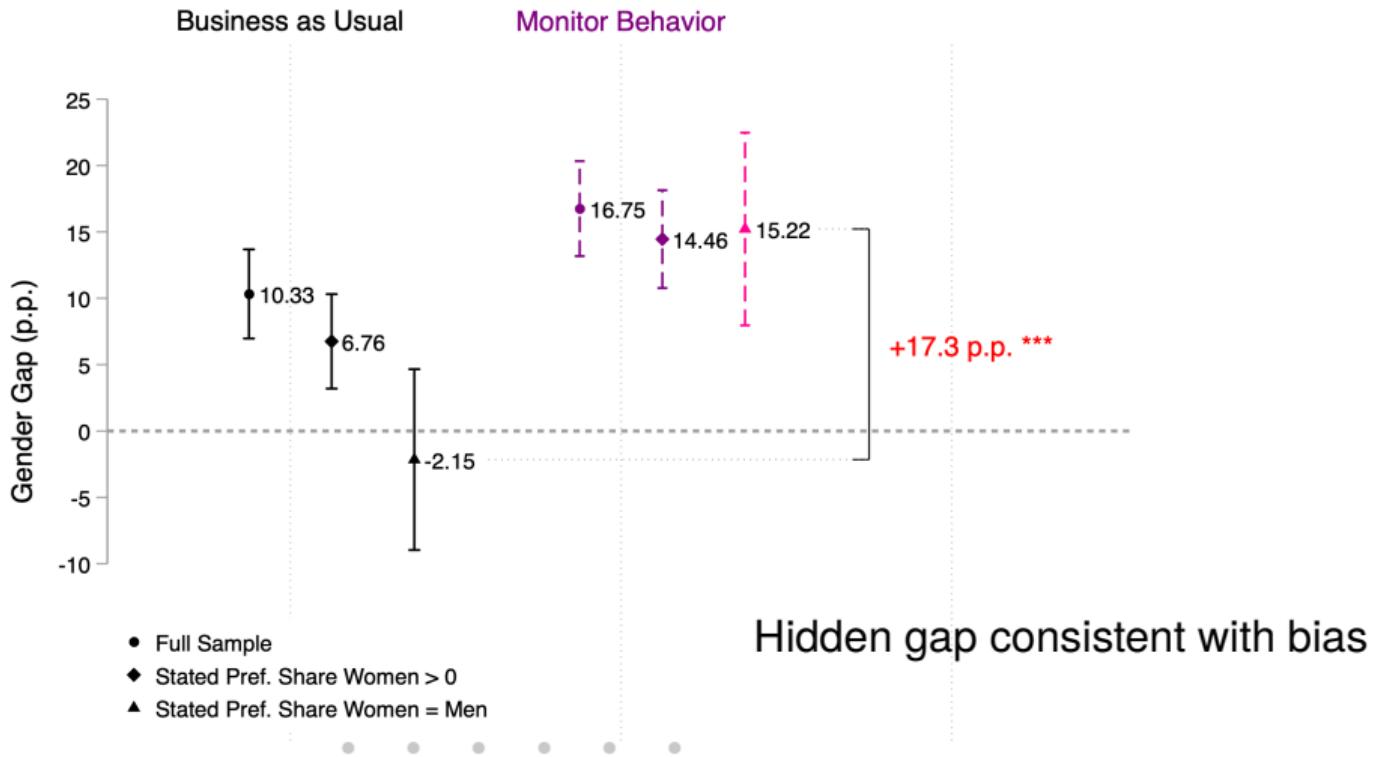
Audits to Monitor Workers' Behavior Raise Gender Gap: +60%



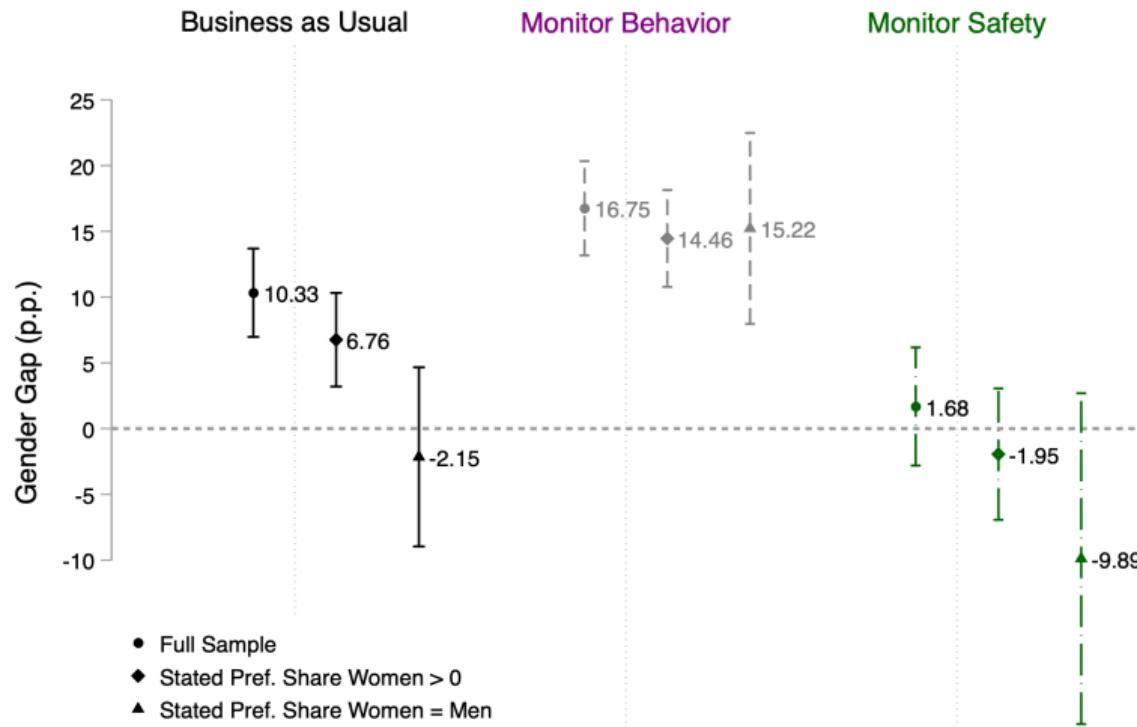
Stronger Among Employers with Stated Demand for Women



Hidden Gap Largest Among “Gender-Neutral” Employers



Safety Audits Close the Gender Gap



Why Demand for Female Workers?

Monitoring frictions make employers place high value on **trust**. Women are perceived as more trustworthy, which **raises demand** and **hides** underlying bias → bias emerges with monitoring support

Why not hiring women in the first place? Other frictions (search, safety) drive demand for women **down**

Conclusions

Frictions shape which skills employers value — and these skills are often **gendered**: implications for discrimination in hiring.

In a multi-dimensional skill framework, frictions can compensate bias:

- No outcome gaps need not imply no bias.
- Discrimination as a luxury good.
- **Key implication:** Solving frictions can have identity and discrimination effects — technology is not neutral.

Thank you!

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References I