

**RACE DISCRIMINATION AND SEGREGATION IN MANUFACTURING JOBS:
EVIDENCE FROM MATCHED-PAIR TESTING OF STAFFING AGENCIES**

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RACE DISCRIMINATION AND SEGREGATION IN MANUFACTURING JOBS: EVIDENCE FROM MATCHED-PAIR TESTING OF STAFFING AGENCIES

Abstract: In a testing (auditing) field experiment, African American and Latinx job seekers with equal qualifications applied simultaneously for manufacturing and warehouse employment at a representative sample of 65 Chicago-area temporary staffing agencies. Agencies offered jobs to African Americans at 75% the rate of Latinx. They also segregated 82% of jobs, offering them only to one group or the other. In 65% of tests -- nearly two-thirds -- agencies discriminatorily limited opportunities offered to either African Americans or Latinx job seekers. We describe four strategies for reducing racial/ethnic bias in the hiring practices of staffing agencies and their industrial employer clients.

Key words: job competition, industrial, immigrants, workplace culture

Introduction

For many African Americans, Latinx, and other People of Color, “blue collar” jobs in America’s factories and warehouses are a major source of work. This concentration is particularly pronounced for workers whose employment alternatives are limited by circumstances such as lack of post-secondary education or training, recent work experience, or English language fluency.

For these workers, temporary jobs through staffing agencies are often a major channel for seeking. This dependence reflects both these workers’ often-limited access to other methods of job search and increasing delegation of entry-level hiring to these agencies by manufacturing and warehouse employers.

In the present study, we conducted “matched pair tests” on a representative sample of industrial staffing agencies to measure the prevalence and describe the nature of race and ethnic discrimination encountered by these job seekers. Because our results document widespread workplace bias, we discuss four strategies for increasing equal employment opportunity in this sector.

Industrial Staffing Agencies

Production and non-supervisory employment in manufacturing has long been in decline in the U.S. economy. In combination with production and non-supervisory employment in warehousing, it currently accounts for only 8.5% of the nationwide Civilian Labor Force (U.S. Bureau of Labor Statistics 2020, Table B-6). However, in select locations, it remains a major source of work. Notably, in the location of our study -- the Chicago Metropolitan Area -- the third largest U.S. cluster of manufacturing and the third largest cluster of U.S. warehousing and transportation together account for some 775,000 jobs (CMAP 2020).

Because of these jobs' limited educational and skill prerequisites, entry-level production and non-supervisory jobs in these sectors should represent particularly accessible opportunities for many marginalized groups in the American labor market, including people without post-secondary education, specific vocational training, formal credentials, or specialized skills; people with criminal records or limited command of English; people without permanent addresses; and people facing discrimination when seeking other employment, such as "white collar" jobs with extensive customer contact (Brown 2016; Bendick, Rodriguez, and Jayaraman 2010; Cordova, Wilson, and Stettner 2018; Lane, Mikelson, Sharkey, and Wissoker 2003). Table 1 reports the proportion of

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employees who are African American or Latinx in 10 occupations typically offered by temporary industrial staffing agencies -- for example, laborers, machine operators, material movers, and cleaners. African Americans and Latinx are both represented in these occupations at 150% or more of their representation in the overall U.S. labor market (U.S. Bureau of Labor Statistics 2019, Table 6; U.S. Census Bureau 2017).

In their position at the margins of the U.S. labor market, many of these job seekers lack information on often-unadvertised job vacancies (the “hidden job market”), as well as well-connected networks of personal contacts to provide referrals and recommendations (Fabiana 2018; Fernandez and Galperin 2014; Ioannides and Loury 2004; Pedulla and Pager 2019; Royster 2003; Waldinger, Lim, and Cort 2007). Accordingly, to access manufacturing and warehousing opportunities, they often rely on staffing agencies, to which many manufacturing and warehousing firms delegate their blue-collar recruitment and screening, especially for temporary positions.

Staffing agencies are also referred to as employment agencies, placement agencies, “temp” agencies, or professional employer organizations. The 90,000 establishments in the industry nationwide (U.S. Census Bureau 2020) range from small offices (typically, with 1-5 employees) of single-location firms, through midsize chains with a modest number of offices in one local labor market, to large national chains (e.g., Adecco, Kelly Services, Manpower, Randstad, and Robert Half). Nationwide, more than 16 million individuals work as temporary or contract employees via these agencies each year, about 37% of them in industrial, rather than office or professional, positions (American Staffing Association 2020; U.S. Bureau of Labor Statistics 2017). The staffing industry has an annual growth rate about twice that of the labor market as a whole (Mazareanu 2019).

Why do manufacturing and warehousing employers use staffing agencies? One category of reasons seeks efficient workforce management, especially the flexibility to adjust their workforce to fluctuating or unpredictable production demand. A second frequent motivation is labor cost savings from compensating temporary workers with lower wages and fringe benefits than long-term employees such as those covered by union contracts. Additional reasons include using temporary employment as a trial period before making a long-term commitment (“temp-to-

perm” hiring) and freeing the employer from administrative burdens of payrolls and record-keeping (Capelli and Keller 2013; Houseman, Kalleberg, and Erickcek 2003; Klaas, Gainey, McClendon, and Yang 2005; One and Sullivan 2013; Peck and Theodore 2007; Vidal and Tigges 2008). Over recent decades, increased use of temporary workers has contributed significantly to measured productivity increases in manufacturing (Dey, Houseman, and Polivka 2006).

The focus of the present paper is a different category of reasons: making the staffing agency, rather than the employer, liable for illegal employment practices. A number of worker advocates and researchers allege that employers hire through staffing agencies so that the agencies screen job applicants on their behalf based on job seekers’ race, ethnicity, national origin, gender, or other legally-protected personal characteristics. These claims have been corroborated by sworn testimony of agency staff who report receiving explicit instructions or implicit pressure from their agencies to implement employers’ illegal requests (e.g., *Hunt v. Personnel Staffing Group*, 2020). By having a staffing agency recruit and select workers and keep the workers on the agency’s payroll rather than the employers’, employers seek to avoid liability for violations of federal, state, or local anti-discrimination laws (Johnson 2016; Samuels 2013; Scott 2020; Weil 2014).

These allegations commonly attribute employers’ discriminatory hiring preferences to employer stereotypes about workers of different demographic backgrounds. For the groups examined in our study, it is alleged that employers tend to see African American workers, especially men, as “high risk” employees prone to dishonesty, violence, substance abuse, unreliability, or laziness (Banaji and Greenwald 2013; Charles and Guryan 2008; Hays-Thomas 2017; Harrison and Lloyd 2003; Holzer, Raphael, and Stoll 2006; Johnson 2016; Lang and Spitzer 2020; Moss and Tilly 2001; Sweeny 2011). Some employers are alleged to hold similar negative attitudes toward Latinx workers, while others are said to stereotype them favorably as hard-

working, reliable, and uncomplaining (Gradin 2013; Lee and Fiske 2006; Niemann 2001; Sweeney 2011; Weaver 2005).

In addition, it is alleged that some employers prefer workers, including Latinx, who are likely to lack authorization to work in the U.S. because threats -- implicit or explicit -- to report them to immigration officials make them likely to accept workplace abuse or harassment and violations of minimum wages and hours laws, equal pay laws, OSHA standards on working conditions, and NLRB protection for union organizing. In further pursuit of workers' passive compliance, it is alleged that some employers deliberately create ethnically homogeneous workplaces to isolate their workforce from potential outside sources of information or advocacy (Allison, Herrera, Struna, and Reese 2018; Bernhardt, Spiller, and Polson 2013; Breslin and Smith 2006; Chauvin 2017; Elcioglu 2010; Harrison and Lloyd 2013; Kerr and Dole 2005; Krieger *et al.* 2006; Lopez-Sanders 2014; Milkman, Gonzalez, and Ikeler 2012; Ruckelshaus and Goldstein 2003; Saucedo 2006; Scott 2020; Weil 2014; Zamudio and Lichter 2008).

These allegations are typically supported primarily by anecdotes, and the anecdotes typically rely on perceptions that employers may dispute. Moreover, the allegations are seldom accompanied by information concerning whether the practices described are exceptional and rare or typical and pervasive. To provide rigorous data addressing these important information gaps, we turn to matched pair testing.

Research Methods

Matched pair testing is a systematic research procedure creating quasi-experiments in which to observe real employers' candid responses to employees' personal characteristics. In this procedure, pairs of research assistants -- "testers" -- apply simultaneously for the same actual job vacancies. Within each tester pair, employee characteristics likely to affect employees' on-the-

job performance are controlled by selecting, training, and credentialing testers to appear equally qualified for the positions they seek. Simultaneously, personal characteristics unrelated to job performance are manipulated by pairing testers who differ in only one characteristic -- in the present study, their race/ethnicity. If testers within a pair experience a substantially different response to their job-seeking efforts, few assumptions and little analysis are required to attribute that difference to the employer's reaction to that characteristic (Bendick 2007; Bertrand and Mullainathan 2004; Gaddis 2018; Pager 2007).

Since 1990, multiple dozens of well-documented employment testing studies have been completed in a range of U.S. locales (e.g., Chicago, New York, Washington, nation-wide), occupations (e.g., sales workers, office workers, restaurant servers), and demographic groups (e.g., African Americans or Hispanics paired with whites, holders of "green card" work permits paired with U.S. citizens, women paired with men, persons age 57 paired with persons age 32, persons with a disability paired with a person without that disability). Essentially universally, these studies have reported substantial differences in treatment within these pairs, with the proportion of employers found to treat the group of interest significantly worse than their equally-qualified counterparts typically ranging from about 20% to 40% (Bendick 2007; Gaddis 2018; Quillan, Pager, Midtboen, and Hexel 2017).

Such findings provide an important ethical justification for matched pair testing. Testing studies involve employers without their informed consent and induce them to process job applications which will not result in hires. However, in typical employment tests, that use of resources is very modest, since most applications are reviewed only quickly. Employers are not asked to deal with situations that are unusual for them, since human resource professionals estimate that a large proportion of the applications they receive from non-testing job seekers include

fabrications in resumes. And when testing results are reported without naming the employers tested, hiring decision-makers and their employers experience no adverse consequences of their actions. Balanced against these costs is the over-riding importance of addressing a major societal problem. The U.S. Supreme Court, the EEOC, and multiple university human subjects review panels have endorsed testing's role in these efforts (Bendick and Nunes 2012; Boggs, Sellers, and Bendick 1993).

Testers

In the testing reported in this article, we deployed five Latinx and six African Americans, in 11 different pairings. Each pair consisted of an African American and a Latinx similar in gender, age, and general appearance, and similarly dressed appropriately for manual work. These testers were recruited through Chicago-area community-based advocacy groups and had previously sought and held manufacturing, warehouse, or similar jobs. All were legally eligible to work in the U.S.

The testers' primary motivation for participating in this project was wages at an hourly rate similar to the jobs for which they were applying. As an added incentive, testers were allowed to accept jobs offered during a test if they wished.

Prior to participating in tests counted in our sample, the testers received two hours of training on job application situations they were likely to encounter and procedures for documenting their experiences. The training repeatedly emphasized that the testers' role was not to make judgments about whether they were experiencing discrimination but objectively to report facts concerning what they did during a test and how the agency responded. To further minimize possible effects of testers' expectations, testers were told during training that they might be applying at agencies known not to discriminate and that prior research suggests that many agencies

do not discriminate. They were also never told whether the agencies to which they were applying were expected to favoring African Americans or Latinx.

During training, testers were instructed that, when asked about their qualifications, they should report their actual education and work experience; for the entry-level jobs at issue in this study, all testers more than met minimum qualifications. Testers were also trained to answer common questions -- such as preferred work shifts, access to a car, or experience with fork-lifts -- the same as their testing partner.

Consistent with our belief that staffing agencies considered our testers qualified for the jobs they sought, the median number of offers received by testers was 18.5, and even testers who completed only a small number of tests received at least three offers.

Agencies Tested

The agencies tested were selected to be representative of the industrial staffing industry in the Chicago metropolitan area. To achieve this goal, a sampling frame was constructed of the first 100 agencies identified through multiple online searches for staffing agencies describing themselves as providing industrial workers in the City of Chicago, Cook County, or the greater Chicago region. This group included agencies in 42 different zip codes.

Agencies to be tested were selected from this sampling frame in order of increasing distance from one location -- the 5600 block of Roosevelt Road in southwest Chicago, a concentration of industrial staffing agencies centrally located in the region and near multiple factories and warehouses.

A test was deemed complete and included in our analysis if both testers interacted with the agency sufficiently to request employment and reveal their race/ethnicity. By this criterion,

between March and May of 2019, we completed 65 tests, with 27% in the city of Chicago, 50% in other parts of Cook County, and 23% in adjacent Illinois counties.

Test Operations

Throughout their application processes, testers were closely supervised by an experienced Test Coordinator who drove each pair to the test location and briefed them before each test. Immediately after interacting with the staffing agency, the testers reported their experiences to the Test Coordinator who recorded their information on a structured survey instrument. The Test Coordinator supervised each pair throughout the day to ensure that they did not share their testing experiences with each other.

Testers were assigned to enter the agency about 15 minutes apart. They were instructed to specify that they were seeking manufacturing or warehouse work and preferred first shift but were willing to consider any job. They were also instructed to comply with whatever application procedures the agency requested. In practice, testers typically interacted with agency staff concerning substantive matters (available jobs, applicant's qualifications) for only a very few minutes, but the time they spent in the agency sometimes ballooned to an hour or more including time spent waiting, completing applications on computers or paper, taking skills tests or drug tests, or watching orientation or safety videos.

For several weeks following each in-person application, the Test Coordinator recorded job offers received in follow-up calls from the agency.

Findings

Data generated by these procedures allow us to test four hypotheses derived from the sources reviewed earlier in this paper.

Number of Job Offers

Our first hypothesis is that when equally-qualified African Americans and Latinx apply simultaneously at the same staffing agency for the same types of jobs, Latinx will receive more job offers than the African Americans.

Testers received a total of 204 job offers in our 65 completed tests. As Table 2 reports,

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Latinx received 117 offers and African Americans 87 offers, so that African Americans received offers at 74.4% of their Latinx partners. This disparity is statistically significant ($p=.00298$). The same pattern of disparities adverse to African Americans arose both during the testers' initial in-person applications and, even more strongly, in follow-up telephone contacts.

Table 3 examines these same outcomes by applying logistic regression to the probability

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an African American received a job offer. Consistent with Table 2, Table 3 reports a statistically significant reduction in the likelihood that an African American was offered a job if that that job was offered to that tester's Latinx testing partner. This finding is particularly informative because the Latinx tester applied at each agency *after* the African American.

The following examples illustrates agency behavior counted in these tables as favoring Latinx testers over their African American paired partners:

- At 9 AM on a Friday, a 56 year-old African American man in work clothes and work boots entered a staffing agency near O'Hare Airport. The office is part of a local chain with four offices in the greater Chicago area. The tester approached an employee and asked whether the agency was hiring.

Without asking the tester any questions, the employee responded that they were not hiring at the moment. He offered to take the tester's name and phone number but did not allow him to complete an application. The tester left his contact information but was never called.

About 20 minutes later, a 50 year-old Latino man in work clothes and work boots appeared at the same agency and asked an employee if the agency was hiring. The employee asked him what shifts the tester was available and whether he had a car. The employee then described a warehouse position at an electronic assembly plant five miles from the agency paying \$11 per hour and told the tester he could start on Monday. After having the tester complete an application, the employee gave the tester a work order with the factory address and name of the person to whom he should report. The employee also stated that he was looking to hire at least one more worker for the job and encouraged him to refer friends to the agency and ask for him by name.

- At 2 PM on a Friday, a 54 year-old African American woman with assembly and warehouse experience entered a staffing agency in southwest Cook county. The office is part of a family-owned chain with multiple offices in the Chicago region. An agency employee gave the tester a one-page paper application, asked about her experience, and then told her the agency did not have any jobs available at that time but should have housekeeping jobs on Monday and suggested that the applicant call at 11 AM that day.

Seven minutes later, a 48 year-old Latina tester with similar work experience entered the agency. An employee gave her a one-page application, and when the tester finished it, offered her a job starting Monday at a candy manufacturing company six miles from the staffing agency paying \$10 per hour. The employee gave the tester a note detailing the job and told her to come to the staffing agency at 4 AM Monday for an interview and training, after which she would start work.

- At 12:30 PM on a Thursday, a 54 year-old African American woman entered a staffing agency in western Cook County. The office is part of a regional chain with 8 offices. An agency employee told her that they currently only had one job available, at a credit card factory, and said she would need to pass a 15-year background check to be eligible. The tester stated that she had a clean

background, and the employee gave her a paper pre-application. The agency staffer looked at the pre-application and told her she would not qualify for that job, but he would keep her information and contact her if other jobs became available.

Five minutes later, a 52 year-old Latina woman entered the agency and spoke to the same employee. The tester asked him if there were jobs available, and he told her about an “easy” job packing and labeling shampoo containers for \$10.00 per hour. The staffer instructed the tester to come to the agency between 8 and 10 AM the next day to complete an application, wrote the details of the job on a business card, and encouraged her to return.

- At 11 AM on a Friday, a 54 year-old African American woman with extensive factory experience entered a staffing agency near Midway airport. The agency is part of a chain with 22 offices in nine states. After the tester completed a computerized application, an agency staffer offered her a second shift job at a candy factory that paid \$10 per hour for an “as needed” position without guaranteed continued employment.

Seven minutes later, a 48 year-old Latina with similar work history entered the agency. After she completed an application, an agency employee offered her a first shift job paying \$11.25 per hour packaging cheese at a plant in a Chicago suburb. The employee told her that the job was a continuing assignment and that the agency provided free transportation to the work site.

Thus, the testing results clearly support hypothesis one. Moreover, the results are meaningful in a practical sense for African American job seekers. As Table 5 reports, had African Americans received job offers at the same rate as their Latinx counterparts, they would have had 36 more job offers than they actually received, an average of one additional offer from every second agency contacted. For Latinx, the corresponding increase would be 16 offers, or one additional offer for every fourth agency contacted.

Quality of Job Offers

Our second hypothesis is that when equally-qualified African Americans and Latinx apply simultaneously at staffing agencies for the same types of jobs, the jobs offered to African Americans would be of lower quality than those offered to Latinx.

One principal measure of job quality is the hourly wage rate. Table 2 provides some support for the hypothesis by reporting that Latinx received higher-paying jobs offers (\$12-\$15/hour) at a statistically significantly higher rate than African Americans. A parallel disparity arose for jobs paying around the \$11.64/hour average for jobs offered to testers, while the two groups received an equal number of job offers only for jobs offering the lowest wage rates (between \$8 and \$10.99/hour). However, when the logistic regression reported in Table 3 estimated the relationship between job offers to African Americans and the wage rate while controlling for other factors that may affect those offers, it found no statistically significant effect of wage rate when these other factors were controlled for.

Information reported by testers provide three additional measures of job quality: (1) whether the job was on the first shift (which testers had been instructed to say they preferred); (2) the distance the tester would have to travel to the work site; and (3) whether the staffing agency mentioned other advantages or disadvantages when describing jobs, including advantages such as free transportation to the work site, potential for long-term employment, or physically easy work and disadvantages such as heavy lifting or working in a refrigerated environment.

According to Table 2, jobs offered to African Americans were “worse” than those received by Latinx at a statistically significant rate in terms of factory shifts, where Latinx were more likely than African Americans to receive offers for first shift jobs while the reverse was true for jobs on the second and third shifts. However, according to that table, the differences between the two groups did vary consistently in terms of offers involving less or more travel to work. Moreover,

the regression analysis in Table 3 reports no statistically significant relationship between the probability an African American was offered a job and any of the three job quality measures.

Thus, in most cases, our findings do not support the second hypothesis. Apparently, for the types of positions available through these staffing agencies, the key difference experienced by African American and Latinx job seekers is in the number of jobs offered, with approximately the same race/ethnic disparity applying to all types and level of jobs the agencies offer. In other words, the practice of racially-limiting job offers tends to be applied more universally than selectively.

Job Segregation

Our testers presented themselves to the staffing agencies virtually simultaneously, with equal qualifications, and seeking the same types of jobs, and the first tester in each pair was instructed not to accept any job offer before her/his testing partner arrived. In those circumstances, efficient, non-discriminating staffing agencies would be expected to offer essentially all job openings to both testers. However, the sources reviewed earlier in this paper suggests a contradictory, third hypothesis -- that when equally-qualified African Americans and Latinx apply simultaneously at staffing agencies for the same types of jobs, the jobs offered African Americans and Latinx will be largely or completely separate.

Consistent with that hypothesis, Table 4 reports that 82.1% of all jobs were offered to only

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one of the two testers. Moreover, according to table, the proportion of jobs offered to only one tester was never less than 53.7% regardless of type of work, wage level, distance from the testers' homes, neighborhood where agency is located, or agency structure. In other words, segregation was the predominant, and in some cases essentially universal, practice.

Prevalence of Practices

Our final hypothesis is that the employment practices examined in the previous three hypotheses prevail widely among temporary industrial staffing agencies, rather than being confined to a limited number of “bad apple” agencies.

Table 5 examines the results of our 65 tests from this perspective. It reports that 35.4% of

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tests documented agencies responding to our testers in an entirely race-neutral way, by either making no offers to either tester or making the same offers to both. In the remaining 64.6% of tests -- close to two-thirds -- the agency either treated Latinx testers more favorably (40.0% of tests), African American more favorably (9.2% of tests), or segregated offers of similar quality between the two groups (15.4% of tests).

Are these discriminatory practices particularly prevalent among identifiable types of agencies? Tables 2 and 3 allow us to examine two possibilities.

One possibility is that staffing agency offices in neighborhoods with a largely Latinx population might favor Latinx applicants, while those in largely African American neighborhoods might do the opposite. We can examine this question because we tested agencies in ZIP codes whose population ranged from 6.8% to 89.4% Latinx and from 0.5% to 49.3% African American.

According to Table 2, at agencies in neighborhoods whose population is 25% or more Latinx, testers from that group received substantially more job offers than their African American counterparts, while at agencies in neighborhoods whose population is at least 25% African Americans, the opposite was true. These patterns were statistically significant only with respect to Latinx neighborhoods, although lack of statistical significance in African American neighborhoods is understandable because only five of the agencies tested were located there.

Moreover, the regression analysis in Table 3 reports a statistically significant negative relationship between the Latinx representation in the population surrounding an agency and the probability that a job was offered to an African American tester.

A second possibility is that agencies in larger, multi-office chains of agencies have more sophisticated or professional human resource management policies, practices, and staff and therefore are less prone to biased behavior than smaller, single office, “mom and pop” agencies. Consistent with this hypothesis, Table 2 reports that the ratio of African American offers to Latinx offers is lowest (45.0%) in single office agencies and higher in agencies that are part of regional or national chains. However, the regression in Table 3 reports that the relationship between agency structure and the offer rate for African Americans is not statistically significant.

Together, these findings support the hypothesis that the practices documented by our tests are particularly prevalent among agencies located in neighborhoods identifiable with one race/ethnic group. However, the finding of discriminatory behavior in nearly two-thirds of tests clearly contradicts any hypothesis that the practices are confined to a limited number of “bad apple” staffing firms. Instead, failure to comply with federal and state laws forbidding discriminatory hiring based on race and ethnicity appears to be the industry norm rather than an isolated deviation from that norm.

Discussion

One way to summarize our findings is that Latinx job seekers did better than their African American counterparts -- in fact, did better *at the expense* of African Americans (McClain, Lyle, Carter, and Soto 2008; Smith 2009; Wilkinson 2015). But the reality is more complex than this “zero sum” (“I win if you lose”) interpretation. Paradoxically, the discriminatory staffing agency behavior adversely affected both groups simultaneously

This outcome is most evident from the fact that Latinx testers were not offered all the jobs that were available for which they were qualified. According to Table 5, that circumstance applied in 24.6% of our tests -- 9.2% where African Americans received more or better offers plus 15.4% where African Americans received additional offers not made available offered to their Latinx partners. This loss of job opportunities occurred *concurrently* with a loss of job opportunities for African Americans in 55.4% of our tests -- 40.0% where Latinx received more or better offers plus 15.4% where Latinx received additional offers not made available to their African Americans partners.

Moreover, the likely adverse consequences for both groups are not fully captured by these numerical shortfalls alone. By filling job requests from their client employers predominantly or exclusively with members of a single race/ethnic group, staffing agencies support workplace race/ethnic isolation. As discussed earlier in this article, when workers are employed predominantly or exclusively with people of the same race/ethnic background, they tend to be isolated from resources -- including inter-racial alliances, as well as information and support from sources such as unions or worker advocacy groups -- that would help resist on-the-job worker abuse such as wages and hours violations, health and safety violations, and on-the-job discrimination and harassment. Equally, it reduces their earnings (Catanzarite and Aguilera 2002; Liu 2011), hampers their potential advancement out of low-wage, unstable temporary employment (Autor and Houseman 2010; Lopez Sanders 2009), and reduces their psychological well-being (Enchautegui, Hughes, Johnston, and Oh 2006; Van Arsdale 2008).

Strategies to Promote Change

Federal and state laws that render racial/ethnic discrimination in hiring illegal explicitly apply these same prohibitions to staffing agencies. However, our tests indicate that these laws and their enforcement to date have not eliminated this behavior in industrial staffing agencies. Consistent with this finding, prior testing research has estimated that the overall staffing agency industry -- covering office and professional as well as industrial jobs -- engages in discriminatory hiring at *triple* the rate of “regular” employers (Bendick 2007, p. 11).

So what needs to be done? At least four recommendations follow from our findings.

One obvious recommendation is that the EEOC, its counterpart state and local agencies, and non-profit and private litigators should prioritize these agencies in their enforcement of anti-discrimination statutes.

However, successful enforcement in this sector is not easily achieved. Job seekers who suspect that they have been discriminated against by a staffing agency have difficulty proving their case because they usually do not know what jobs were offered to other, similarly-situated job seekers. Moreover, these job seekers typically rapidly obtain alternative employment, either through other agencies or in the segregated jobs offered by the same agency, thereby minimizing their lost earnings and thus their financial incentive to pursue time-consuming, emotionally-draining enforcement. These circumstances hamper enforcement on hiring in general and against staffing agencies in particular. Therefore, a second recommendation is that matched pair testing, such as demonstrated in this study, be routinely deployed to empower anti-discrimination agencies to bring enforcement actions without workers’ complaints, as well as to provide evidence in those actions (Bendick, 2007; Boggs, Sellers, and Bendick 1993).

But even enhanced enforcement is unlikely to control all problematic behavior. Additional approaches could seek to change the business incentives that currently place staffing agencies under strong pressure to comply with employers' discriminatory hiring requests.

One way to do so would be to change laws that shield employer-clients from liability when staffing agencies discriminate on their behalf. These changes might involve new legislation, administrative changes in regulations, or strategic litigation to change case law precedents (Freeman and Gonos 2009; Goldman, and Weil 2020; Pirruccello 2005-2006; Ruckelshaus and Goldstein 2003; Samuels 2013; Saucedo 2007; Seipel 2017-2018; Wears and Fisher 2012).

Another approach would be to create market incentives for staffing agencies to behave in a non-discriminatory fashion. For example, in Illinois, a citizen's task force has recommended development of a "Temp Agency Seal of Approval" for agencies that comply with federal and state labor laws, including those against discriminatory hiring. The incentive for agencies to seek this certification would be that state, county, and municipal governments, as well as socially-responsible private firms, and firms with union contracts would award their substantial temporary employment business only to certified firms (Scott 2020).

Conclusions

Prior to our study, research had firmly established that race/ethnic discrimination continues to limit employment opportunities, including hiring, for African Americans, Latinx, and other People of Color *compared to whites* (Bendick 2007; Cohn 2019; Lang and Spitzer 2020; Hays-Thomas 2017; Quillian, Pager, Midtboen, and Hexel 2017). In this study we have focused on discriminatory treatment alleged to adversely affect these same groups in a different employment circumstance -- temporary manufacturing and warehouse employment in a large urban area, where white job seekers are few and employers primarily *choose among non-whites*.

In examining this circumstance, our study has moved beyond anecdotes that had documented likely instances of race/ethnic discrimination but left their prevalence unclear. We found that these practices to be startlingly widespread, with nearly two-thirds of staffing agencies engaged in such behavior and typically applying these practices to the full range of jobs they control. In that context at least, the U.S. labor market remains even further from equal employment opportunity than had previously been measured.

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Table 1. African Americans and Latinx Representation in Jobs Commonly Offered by Industrial Temporary Staffing Agencies

Occupation	Workers Nation-wide (000s)	Af. Am. % of Workers	Latinx % of Workers
Janitors & Building Cleaners	2,342	19.1%	32.8%
Laborers & Freight, Stock, & Material Movers, Hand	2,106	18.9%	22.0%
Production Workers, Other	1,107	16.6%	26.4%
Misc. Production Assemblers & Fabricators	1,064	19.8%	19.1%
Packers & Packagers, Hand	607	19.8%	42.6%
Cleaners of Vehicle & Equipment	329	19.8%	32.9%
Packing & Filling Machine Operators & Tenders	277	22.3%	38.9%
Food Processing Workers, Other	158	22.6%	39.4%
Helpers, Production Workers	53	13.9%	37.9%
Material Moving Workers, All Other	51	24.3%	25.7%
These 10 Occupations	8,094	19.1%	28.4%
All Occupations in the US Labor Market	155,761	12.3%	17.3%
Ratio of These 10 to All Occupations	5.2%	154.9%	164.0%

Source: U.S. Bureau of Labor Statistics, 2019 (nation-wide data, 2018).

Table 2. Jobs Offered to Testers

Job Offers		Number of Offers			Ratio of Af. Am. Offers / Latinx Offers	Additional Job Offers to Af. Ams. if Treated like Latinx		Probability Difference in Offers is Due to Chance
		Total	To Latinx	To Af. Am.		Offers	% of Offers	
All Offers		204	117	87	74.4%	30	14.7%	.00298**
Timing of Offer	At in-person application	152	82	70	85.4%	12	7.9%	0.16758
	In followup messages	52	35	17	48.6%	18	34.6%	0.00042***
Type of Work^	Factory, 2nd or 3rd shift	48	18	30	166.7%	-12	-25.0%	.01428*
	Factory, shift Unknown	18	12	6	50.0%	6	33.3%	.0455*
	Factory 1st Shift	53	33	20	60.6%	13	24.5%	.0114*
	Unknown	39	27	12	44.4%	15	38.5%	0.00068***
	Warehouse	25	14	11	78.6%	3	12.0%	0.39532
	Other (Events, Cleaning, Food Service, Office)	21	13	8	61.5%	5	23.8%	0.12356
Wage Rate (\$/Hour)	\$12.00-\$15.00	76	45	31	68.9%	14	18.4%	.0232*
	\$11.00-\$11.99	54	32	22	68.8%	10	18.5%	0.05486
	\$8.00-\$10.99	24	12	12	100.0%	0	0.0%	1.0000
Distance from Testers' Homes	1-10 Miles	33	21	12	57.1%	9	27.3%	0.02642*
	11-20 Miles	50	26	24	92.3%	2	4.0%	0.68916
	21-40 Miles	47	25	22	88.0%	3	6.4%	0.53526
Population in Agency's ZIP Code	>25% Af. Am.	25	11	14	127.3%	-3	-12.0%	0.39532
	Neither (Non-Minority Neighborhood)	39	21	18	85.7%	3	7.7%	0.4965

	> 25% Latinx and Not >25% Af. Am.	140	85	55	64.7%	30	21.4%	.00034***
Structure of Staffing Agency	Single Office	29	20	9	45.0%	11	37.9%	.00386**
	Multiple Offices in Illinois	80	41	39	95.1%	2	2.5%	0.7896
	Offices in Multiple States	95	56	39	69.6%	17	17.9%	0.01352*

Source: 204 jobs offered to one or both testers during 65 in-person applications or followup calls.

^ Chi-Square probability that the overall distribution of types of jobs does not differ between Af. Ams. and Latinx: $p=.0450$.*

* statistically significant at $p < .05$

** statistically significant at $p < .01$.

*** statistically significant at $p < .001$

Table 3. Factors Affecting Whether a Job was Offered to an African American

Variable		Logit Coefficient	Standard Deviations	Probability
Statistically-Significant Variables	1=Job was discussed with the Latinx paired with the Af. Am.	-4.76	6.9	<.0001***
	Latinx % of the population in the agency's ZIP code	-3.78	3.3	0.0008***
Characteristics of the Job	Wage rate of the job (\$/hour)	0.04	0.2	0.8602
	+1 if advantage(s) of job are mentioned, -1 if disadvantage(s) of job are mentioned, 0 otherwise^	-0.84	1.5	0.1400
	1=job is first shift (which testers were instructed to request)	-0.12	0.2	0.8228
	Miles from African American's home to agency or job miles from Latinx's home to agency or job	0.06	1.5	0.1307
Characteristics of the Agency	1=agency was part of a multi-state chain	-0.79	1.6	0.1152
	African American % of the population in the agency's ZIP code	2.66	1.2	0.2496
	1=job offer occurred in a follow-up call by the agency	-0.71	1.3	0.1988
Other Control Variables	1=tester is male	-0.52	0.9	0.3894
	1=hourly wage rate is not known	-22.98	0.2	0.8514
	1=distance is based on agency location, not job location	0.65	1.2	0.2329
	Intercept	4.47	1.3	0.1788

Source: Logistic regression analysis of 188 jobs offered to at least one tester, plus 8 tests in which no jobs were offered to either. Dependent variable =1 if job was offered to Af. Am., 0 otherwise. Wald chi-square for equation (12 d.f.) is 54.47, probability < .0001.

^ Advantages include free transportation to work site, raises, bonuses, long-term work, and light work. Disadvantages include jobs that lack guaranteed hours, are dirty or dangerous, involve heavy lifting, or are in a hot or cold environment.

*** statistically significant at $p < .001$

Table 4. Segregation of Jobs Offered to Testers

Jobs		Number of Jobs			Segregated Jobs (Offered to Only One Tester)		Probability the % Segregated is Not Different from Zero	
		All Jobs	Offered to Latinx Only	Offered to Af. Am. Only	Offered to Both	Jobs		% of Total Jobs
All Jobs		173	86	56	31	142	82.1%	< .00001***
Timing of Offer	At in-person application	123	53	41	29	94	76.4%	< .00001***
	In followup messages	50	33	15	2	48	96.0%	< .00001***
Type of Work	Factory 2nd or 3rd Shift	54	18	24	12	42	77.8%	< .00001***
	Factory, Shift Unknown	17	11	5	1	16	94.1%	< .00001***
	Factory 1st Shift	42	22	9	11	31	73.8%	< .00001***
	Unknown	33	21	6	6	27	81.8%	< .00001***
	Warehouse	23	12	9	2	21	91.3%	< .00001***
	Other (Events, Cleaning, Office, etc.)	21	13	8	0	21	100.0%	< .00001***
Wage Rate (\$/Hour)	\$12.00 - \$15.00	63	32	18	13	50	79.4%	< .00001***
	\$11.00- \$11.99	46	24	14	8	38	82.6%	< .00001***
	\$8.00 - \$10.99	19	7	7	5	14	73.7%	< .00001***
Distance from Testers' Homes	Latinx 3-21 Miles Closer than Af. Am.	67	23	13	31	36	53.7%	< .00001***
	Distance is < 3 Miles Different	44	19	16	9	35	79.5%	< .00001***
	Af. Am. 3-16 Miles Closer than Latinx	19	9	8	2	17	89.5%	< .00001***
Population in Agency's Zip Code	> 25% Af. Am	20	6	9	5	15	75.0%	< .00001***
	Neither (Non-Minority Neighborhood)	27	9	6	12	15	55.6%	< .00001***
	> 25% Latinx but not > 25% Af. Am.	126	71	41	14	112	88.9%	< .00001***

Structure of Staffing Agency	Single Office	26	17	6	3	23	88.5%	< .00001***
	Multiple Offices in Illinois	69	30	28	11	58	84.1%	< .00001***
	Offices in Multiple States	78	39	22	17	61	78.2%	< .00001***

Source: 173 jobs offered to one or both testers during 65 in-person applications or followup calls. Jobs offered to both testers are counted only once.

*** statistically significant at <.001.

Table 5. Staffing Agencies' Treatment of African Americans and Latinx

Agency Behavior		Tests	% of Tests
Neutral	Neither allowed to apply	0	
	Both allowed to apply, neither got offers	11	35.4%
	Both allowed to apply, both got same offers	12	
Neutral but Segregated	Both got similar^ but different offers	10	15.4%
Latinx Favored	Neither allowed to apply, but Latinx got substantially more information, assistance, or encouragement	2	
	Only Latinx allowed to apply	2	
	Neither got offers, but Latinx got more information, assistance, or encouragement	4	40.0%
	Latinx got offers, Af. Am. did not	7	
	Both got same offers, but Latinx got substantially more information, assistance, or encouragement	1	
	Both got offers but Latinx got more or better offers	10	
African American Favored	Neither allowed to apply, but Af. Am. got more information, assistance, or encouragement	0	
	Only Af. Am. allowed to apply	0	
	Neither got offers, but Af. Am. got substantially more information, assistance, or encouragement	0	9.2%
	Af. Am. got offers, Latinx did not	4	
	Both got same offers but Af. Am. got more information, assistance, or encouragement	0	
	Both got offers but Af. Am. got more or better offers	2	
Total		65	100.0%
Agencies Limited Opportunities for Af. Ams. (40.0%+15.4%)		36	55.4%
Agencies Limited Opportunities for Latinx (9.2% + 15.4%)		16	24.6%
Agencies Limited Opportunities for One or Both Groups (40.0%+9.2%+15.4%)		42	64.6%

Source: 65 matched-pair tests of staffing agencies.

^Similar offers had similar wage rates, job duties, and advantages/disadvantages.