

“How Costly is Diversity? The Role of Affirmative Action on Competition”

Muriel Niederle
Stanford University

Carmit Segal
Harvard Business School

Lise Vesterlund
University of Pittsburgh

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Abstract:

Previous studies document that men and women differ in their willingness to enter competitive environment. While men seem to embrace competition, women seem to shy away from it. Such gender differences in competitive attitudes may help explain why women are underrepresented in top managerial positions. This paper uses experimental methods to examine if there are institutions that may help secure that a more diverse group of people compete for and hold top-level jobs. Specifically, we ask whether women may be enticed to compete more if they are given an advantage in the form of affirmative action. Our experimental results show that women respond strongly to the affirmative action incentive, in fact the increase in entry by women is greater than predicted. An explanation for this increase appears to be that women are more optimistic about their relative performance in single than mixed gender groups, this difference in beliefs is important as affirmative action causes the competition for the top performing woman to be one against the other women in the group. In our setting affirmative action increases the number of women who win tournaments, and we are able to gain important insights on what the costs are of increasing the diversity of the winners. If one was to use the initial applicant pool to assess the role of affirmative action, the prediction would be that affirmative action would result in a decrease in the quality of the winners. However given the large increase in the applicant pool, in our setting, the quality of the winners does not decrease as a result of affirmative action. Thus one must use caution when estimating the costs associated with such programs as the program not only alters which applicants are selected, but also the set of applicants.