Ethnic minorities are not always treated favorably. For example, immigrants in the EU born outside of the EU earn about 77% of what natives earn, are almost twice as likely to be at risk of poverty than native individuals, are more likely to have a low educational attainment, and their unemployment rate is almost twice as high. Several factors potentially underlie this achievement gap and ethnic
discrimination is one of these factors. To illustrate, job applicants in the EU with a non-Western background have to send more than twice as many applications to get invited to a job interview than persons belonging to the majority group, who have an equivalent curriculum vitae.

In general, there are two forms of discrimination: statistical and taste-based. Statistical discrimination refers to discrimination in a context with strategic uncertainty. For example, an employer who is uncertain about the future productivity of a person with a different ethnicity forms beliefs relying on general information about the different ethnic group to which this person belongs. If he believes that certain ethnic minorities are less productive, he may be reluctant to recruit from this group. Taste-based discrimination refers to discrimination in a context without strategic uncertainty. Suppose that the employer would be perfectly aware that the future productivity of all job applicants is exactly the same and is still less willing to hire a person with an ethnically different background, then we say that this employer discriminates on the basis of tastes. He has a distaste for certain groups. This project studies taste-based discrimination in a set of European countries.

This project is important for society because overcoming taste-based discrimination requires different policies than overcoming statistical discrimination. It is not sufficient to provide information about specific interaction partners. Instead, policies need to deal with changing preferences of people.

The project consists of three main objectives. First, I investigate whether and how preferences of European natives in social interactions depend on others’ ethnicity. Are natives as altruistic, reciprocal, envious to immigrants as compared to other natives? Second, I study whether natives have different fairness ideals—what constitutes a fair distribution of resources from the perspective of an impartial spectator—when it comes to natives than when it comes to non-natives. Third, I analyse whether preferences and fairness ideals depend on exposure to diversity: do preferences and fairness ideals of natives change as contact with non-natives increases, and, if so, how?

Work performed from the beginning of the project to the end of the period covered by the report and main results achieved so far

- The work on taste-based discrimination in the Netherlands has been published in a highly ranked economics journal (cf. ‘Return on trust is lower for immigrants’ in the Economic Journal, 2019, joint with Elena Cettolin). The main result is that native Dutch individuals reciprocate trust put in them by a person with a non-Western background up to 13% less than trust by a fellow native.

- The work on the effect of contact with immigrants on ethnic discrimination and attitudes to immigrants has made substantial progress. Two papers are currently in preparation. The first paper focuses on the effect of the proximity of asylum seekers on attitudes to immigrants and taste-based discrimination in the Netherlands and is expected to be ready for submission at the end of 2019. The main result is that living in the vicinity of a refugee center tends to improve one’s attitude to immigrants. The effect is particularly positive if centers are open for a longer time, that is, if exposure lasts for more than 6 months. We argue that the effect is due to positive contact: the higher the likelihood that locals have actual contact with refugees, the more positive they think about them and behave towards them. The second paper focuses on the effect of the proximity of asylum seekers on
electoral outcomes in the Netherlands. It is currently too early to show results because the data analyses are still ongoing. The expectation is that a first draft will be ready mid 2020.

- Experiments on discriminative fairness ideals are currently in preparation. Forces are joined with a team of top researchers from the NHH-Norwegian School of Economics in Bergen (Alexander Cappelen and Bertil Tungodden) so that more European countries than the Netherlands and Germany can be covered in the research (e.g. France and Italy).

- Sigrid Suetens has delivered several presentations at universities in invited seminars that cover the work in the ERC project and is being invited to talk in particular about this work (e.g. Wurzburg, Regensburg). In addition, on the agenda is a plenary talk at the World Economic Science Association, organized by Simon Fraser University in Vancouver (July 4-7, 2019), on ‘Discrimination and tastes: Evidence from the Netherlands’ (expected audience of about 200 attendants).

**Progress beyond the state of the art and expected potential impact (including the socio-economic impact and the wider societal implications of the project so far)**

Expectations are that from the planned experiments we will obtain novel insights into aspects of ethnic discrimination in Europe that have not been studied so far:

a) We will learn about what exactly drives people to discriminate ethnic minorities (do they dislike that ethnically different others earn more than themselves? do they punish ethnically different others harsher if they do something immoral? etc.)

b) We will learn whether fairness ideals are discriminative. Do natives think differently about redistribution depending on who are the beneficiaries?

c) We will learn whether fairness ideals depend on how people earn their money. In particular, we will learn how important responsibility is for the way people are willing to redistribute (for example, if ethnically different others have worked for their money and they earn more than a fellow native person, is redistribution going to be less or more discriminative than if money earnings are randomly allocated?)