

There is a tax on being different

OPINION

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In 1958, my father graduated from secondary school as the highest-achieving student in the state of Kansas, earning a five-year scholarship to the Massachusetts Institute of Technology. He turned it down. For someone raised in a remote farming town, this would have been his opportunity to transform his life, a ticket to a bigger world. While he felt that he would have been entirely capable of being successful at MIT, he chose not to go. For most of my life his decision seemed wildly irrational.

These seemingly irrational decisions, however, are shockingly common, from high-performing students of colour who drop out of school to talented women who leave the business world rather than pursue executive positions. These are people who repeatedly report feeling capable and qualified – and yet they drop out.

This slow attrition of top talent leads to the “pipeline problem”, employers’ favourite excuse for the striking lack of diversity across broad swaths of corporate, political and academic leadership. If their decisions to drop out are irrational, then the pipeline problem is their fault, or at the very least a simple matter of perception with an equally simple marketing solution (if only we could figure out the right messaging).

However, over the past few years my research has begun to tell a different story entirely. My father and millions of others are making entirely rational decisions. They are maximising their expected returns, and their decisions reflect a cost almost entirely absent from their more privileged peers: the tax on being different. As a study from the Brookings Institution on high school drop out rates shows, poor students immersed in high-inequality communities believe that their hard work will not pay off. As it turns out, they are right.

There is a large and growing literature on implicit bias showing preferences for male over female and “Caucasian-sounding” over “African American-sounding” names, even in simple email introductions and when they match the reader’s own gender and ethnicity. But these studies do not quantify the economic toll: the tax imposed by the bias they revealed.

To calculate the tax on being different I made use of a data set of 122m professional profiles collected by Gild, a company specialising in tech for hiring and HR, where I worked as chief scientist.

From that data, I was able to compare the career trajectories of specific populations by examining the actual individuals. For example, our data set had 151,604 people called Joe and 103,011 named José. After selecting only for software developers we still had 7,105 and 4,896 respectively, real people writing code for a living.

Analysing their career trajectories I found that José typically needs a masters degree or higher compared with Joe with no degree at all to be equally likely to get a promotion for the same quality of work.

This means that José needs six additional years of education and all of the tuition and opportunity costs that education entails. This is the tax on being different, and for José that tax costs \$500,000-\$1m over his lifetime.

For female software engineers, the data show they need a masters degree to compare equally with a male colleague’s bachelors degree. This translates into a tax of \$100,000-\$300,000 for a chance at the same career outcomes.

We found similar taxes for being black on Wall Street (\$800,000-\$1.1m) or being a gay man in the UK (\$65,000-\$77,000). The tax comes from the cost of studying at more prestigious universities, on more and higher degrees, in increases in minimum experience and more exceptional professional backgrounds.

The tax on being different is largely implicit. People need not act maliciously for it to be levied. In fact, at its heart is a laudable sentiment: “prove it to me”. The problem is that we are requiring different levels of proof without realising it. Imagine how many José’s gave up long before that point in the process, disincentivised by the enormous tax they know awaits them.

Because of the tax on being different, individual actors in the labour market from different backgrounds can rationally value the same opportunities differently. Passing on a full scholarship to MIT would be irrational for me, but to my father and his parents what would have been the point of spending five years at one of the world’s most prestigious universities if he just ended up back on the farm?

The writer is a theoretical neuroscientist and co-founder of Socos

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