



# Skills and the graduate recruitment process: Evidence from two discrete choice experiments



Martin Humburg\*, Rolf van der Velden

Research Centre for Education and the Labour Market (ROA), Maastricht University, Tongersestraat 53, 6211 LM Maastricht, The Netherlands

## ARTICLE INFO

### Article history:

Received 2 December 2013

Revised 1 July 2015

Accepted 2 July 2015

Available online 29 July 2015

### JEL:

I21

J24

### Keywords:

Human capital

Graduate recruitment

Discrete choice experiment

Employability

## ABSTRACT

In this study we elicit employers' preferences for a variety of CV attributes and types of skills when recruiting university graduates. Using two discrete choice experiments, we simulate the two common steps of the graduate recruitment process: (1) the selection of suitable candidates for job interviews based on CVs, and (2) the hiring of graduates based on observed skills. We show that in the first step, employers attach most value to CV attributes which signal a high stock of occupation-specific human capital indicating low training costs and short adjustment periods; attributes such as relevant work experience and a good match between the field of study and the job tasks. In line with the preferences in the first step, employers' actual hiring decision is mostly influenced by graduates' level of professional expertise and interpersonal skills. Other types of skills also play a role in the hiring decision but are less important, and can therefore not easily compensate for a lack of occupation-specific human capital and interpersonal skills.

© 2015 Elsevier Ltd. All rights reserved.

## 1. Introduction

The transition from university to work is a pivotal phase in graduates' lives. Graduates exchange the familiar world of education for the less familiar world of work. For most graduates, applying for jobs after graduation is the first time they get reliable information on the labour market value of their credentials and whether their investments were worth it in terms of getting the job they want.

Students who are concerned about their labour market success will invest in the skills which will enable them to take advantage of promising job opportunities. Students try to acquire observable characteristics, such as a higher educational degree or work experience, which increase their skills and/or reliably signal the skills they have to employers. Often, students are faced with decisions which involve potential

trade-offs. For example, students who work alongside their studies to gain work experience may find that they lack the time to get a high grade point average. Similarly, enrolling in a study programme which emphasizes generic academic skills may come at the expense of developing occupation-specific skills.

From the individual's perspective – but also from a higher education policy perspective – it is important to know which choices increase or decrease graduates' employability from the employers' perspective. Knowing the preferences which underlie employers' selection and hiring decisions can inform university students' educational choices and can enable higher education institutions to help graduates acquire the skills they need to be successful in the labour market.

Commonly, the graduate recruitment process is divided into two stages. In the first stage, employers screen graduates' CVs in order to decide which applicants to invite for a job interview. During the second stage, the job interview, employers assess applicants' skills to make a final hiring decision. The two stages are logically related as employers can be

\* Corresponding author. Tel.: +31 4338882596.

E-mail address: [m.humburg@maastrichtuniversity.nl](mailto:m.humburg@maastrichtuniversity.nl), [martin.humburg@gmail.com](mailto:martin.humburg@gmail.com) (M. Humburg).

expected to screen applicants' CVs on the basis of the types and levels of skills they find most important in the hiring decision. This paper takes account of the two stage recruitment process by investigating how graduates' chances of getting invited to a job interview vary with the attributes on their CVs and how their chances of getting the job depends on the actual skills they possess. This two stage process allows us to make inferences about whether employers' priorities in the CV screening stage match their priorities in the hiring stage.

Evidence on the value of particular CV attributes for graduates' chances on the labour market is relatively scarce. Analysing data from graduate surveys [Allen and van der Velden \(2001, 2011\)](#), and [Mason, Williams, and Cranmer \(2009\)](#) find that graduates' chances of securing a graduate-level job are indeed associated with observable characteristics such as the degree, work experience, grades or study experience abroad. However, to our knowledge our study is the first which systematically investigates the relative importance of CV attributes from the employer perspective using a discrete choice experiment.

With regard to graduates' actual skill profile, there is no consensus among researchers about which types of skills have the highest relative importance for graduates' employability. Especially the contrast between generic and (occupation-) specific skills has been the subject of scholarly debate. While some authors emphasize the role of types of skills transferable across jobs for graduates employability, such as problem-solving skills, interpersonal skills, and the ability to learn ([Autor, Levy, & Murnane, 2003](#); [Biesma, Pavlova, van Merode & Groot, 2007](#); [Felstead, Gallie, Green & Zhou, 2007](#); [Kiong-Hock, 1986](#); [Teijeiro, Rungo, & Freire, 2013](#)) others point to the importance of occupation-specific, technical skills ([Elish, O'Connell & Smyth, 2010](#); [Heijke, Meng & Ris, 2003](#); [Mason, 1998, 1999](#)). Our paper contributes to this line of the literature by analyzing data which are particularly suited for investigating the relative importance of different types and levels of skills in the recruitment process: we conducted two stated choice experiments – one for each of the two recruitment stages – among 903 employers<sup>1</sup> in nine European countries. With this method, respondents are presented a number of vignettes with hypothetical job applicants who differ in important attributes. By asking respondents to choose the hypothetical graduate they prefer (or none of them) they are forced to trade off some characteristics for others. This trade-off situation simulates a very realistic decision-making environment often missing with standard survey questionnaires. Moreover, we use a semi-experimental setting, thus avoiding problems of unobserved heterogeneity that often hampers conclusions based on cross-sectional data.

We find that employers prefer hiring graduates with higher levels of professional expertise – content-specific knowledge and skills needed to solve occupation-specific problems. Accordingly, employers' selection of graduates for

job interviews is most influenced by CV attributes signalling a high stock of occupation-specific human capital, such as a good match between the field of study and the job tasks, and relevant work experience. We also find that interpersonal skills are as important as professional expertise for graduates' chances of getting the job.

The remainder of this paper is structured as follows: [Section 2](#) reviews the literature on the role of skills in graduates' transition from university to work. [Section 3](#) presents the data and methodology of the study and [Section 4](#) the econometric model used to estimate employers' preferences. In [Section 5](#) we present the results of the first stated choice experiment and the results of the second stated choice experiment are presented in [Section 6](#). We then draw conclusions in [Section 7](#).

## 2. Literature review and theoretical framework

Rational, profit-maximizing employers hire graduates on the basis of their human capital. [Becker \(1962\)](#) thinks of human capital as the stock of knowledge and skills which enter individuals' (and firms') production function directly. Both cognitive and non-cognitive skill endowments contribute to individuals' human capital stock and consequently to their productivity ([Heckman, Stixrud, & Urzua, 2006](#)).

When selecting candidates for job interviews, employers face the challenge that human capital is not perfectly observable. Often, employers must rely on limited information contained on CVs to assess the value of job applicants to the firm. Employers will therefore exploit a correlation between productivity and observable characteristics, such as the obtained credentials and grade point averages, to make inferences about applicants' productivity. The signalling value of the observable characteristic to employers will depend on their demand for the type of skill associated with the signal, and the differing cost structure between high and low skilled graduates ([Spence, 1973](#)). The greater the difference of the costs associated with obtaining a particular credential between low and high skilled graduates, the higher the credential's signalling value will be.

Given the very negative social consequences for the groups concerned, a substantial part of the literature on employers' use of observable characteristics as signals in the recruitment process focuses on statistical discrimination against particular groups of applicants, such as older applicants or applicants belonging to particular ethnic or religious minorities ([Aigner & Cain, 1977](#); [Altonji & Pierret, 2001](#); [Arrow, 1998](#); [van Beek, Koopmans, & van Praag, 1997](#); [Eriksson, Johansson, & Langenskiöld, 2012](#); [Phelps, 1972](#)). Our paper deviates from this line of research in that it explores the signalling value of credentials which are the result of individuals' educational or work-related investments, such as grade point average or relevant work experience. A relationship between such credentials and graduates' chances of securing a graduate-level job has been found by previous studies analysing data from graduate surveys ([Allen & van der Velden, 2001, 2011](#); [Mason, Williams, & Cranmer, 2009](#)) but has never been systematically analyzed from the employers' perspective.

In addition to examining the signalling value of CV attributes, this paper investigates the relative impact different

<sup>1</sup> Note that about 25% of the respondents in our survey are co-workers involved in recruitment rather than employers in the formal sense of the word such as individuals working in general management or in human resource departments (see [Table 1](#)). However, for convenience and comprehensibility we will use the term 'employer' to denote all respondents.

Download English Version:

<https://daneshyari.com/en/article/354303>

Download Persian Version:

<https://daneshyari.com/article/354303>

[Daneshyari.com](https://daneshyari.com)