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Getting grey hairs in the labour market. An alternative experiment on age discrimination

Stijn Baert *, Jennifer Norga, Yannick Thuy, Marieke Van Hecke

Ghent University, Sint-Pietersplein 6, B-9000 Gent, Belgium

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ABSTRACT

This study presents a new field experimental approach for measuring age discrimination in hiring. In addition to the classical approach in which candidates' ages are randomly assigned within pairs of fictitious résumés that are sent to real vacancies, we randomly assign between these pairs the activities undertaken by the older candidates during their additional post-educational years. When applying this design to the case of Belgium, we find that age discrimination depends fundamentally on the older candidates' career patterns. Older age only robustly affects call-back if the older candidate was employed in an out-of-field job during his or her extra post-educational years.

1. Introduction

Population ageing is one of the most pressing challenges facing the western world. In 2050, for every person over the age of 65 there will only be 2.7 individuals of working age in the United States and 1.9 in Western Europe, compared to 5.4 and

* Corresponding author at: Ghent University, University of Antwerp, Research Foundation – Flanders, Université catholique de Louvain and IZA, Sint-Pietersplein 6, B-9000 Gent, Belgium. Homepage: users.UGent.be/~sbaert.

E-mail address: Stijn.Baert@UGent.be (S. Baert).

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4.2, respectively, in 2000.[1] This ageing places substantial pressure on public finances with respect to pensions and medical care. It is a widespread belief that the only viable way to address the challenge of ageing, without compromising living standards, is to encourage older workers to remain in the labour force (Lahey, 2008; OECD, 2006; Riach & Rich, 2010). During the past decade, many countries have carried out reforms in pursuit of this policy. Sonnet, Olsen, and Manfredi (2014) reviewed these reforms and concluded that they have improved the labour market situation of older workers. Nevertheless, activity rates among older age groups are relatively low, especially in Europe. In the EU-15, the employment rate in 2013 for the 50–64 age group was 61.2%, compared to 77.0% for the 25–49 age group. In Belgium, the country of analysis in this study, these numbers are even more divergent: 54.0% versus 79.9%, respectively.[2] It is important to determine the cause of these remaining differences so that further effective policy actions can be designed. Theoretically, there are three explanations for these gaps: (i) differences in employee productivity; (ii) differences in employee preferences and behaviour; and (iii) differences in employer preferences and behaviour (Kautonen, Hatak, Kibler, & Wainwright, 2015; Lahey, 2008; OECD, 2006). While policy discussions have traditionally focussed only on supply-side factors, policy attention has recently shifted more to the third of these channels, better known as discrimination (Sonnet et al., 2014). In this study, we focus on age discrimination in the first decision in the hiring process – the employer's decision (not) to invite a candidate to a job interview. This is the moment at which age discrimination is most likely to occur, as it is then least likely to be detected and, therefore, least costly for employers (Bendick, Brown, & Wall, 1999; Cédiey, Foroni, & Garner, 2008).

Hiring discrimination against older candidates can be expected on the basis of the theories of taste-based discrimination (Becker, 1957) and statistical discrimination (Arrow, 1973). The former suggests that employers, customers and co-workers may experience a disutility when interacting with older workers. The latter suggests that employers may judge individual older workers on group characteristics rather than purely on their individual merits. Adverse group characteristics of the elderly, at least in the perception of employers, might be: (i) showing less energy, motivation, creativity, flexibility and/or adaptability; (ii) being more difficult to supervise; (iii) having poorer health; (iv) facing obsolescence of their human capital; and (v) having higher salary aspirations (Albert, Escot, & Fernández-Cornejo, 2011; Bendick, Brown, & Wall, 1996; Lahey, 2008; Riach & Rich, 2010).

Over the last two decades, scholars have attempted to measure age discrimination in the labour market. To this end, 11 studies applied the gold standard, namely correspondence experiments, to identify unequal treatment in the labour market. In this type of experiment, pairs of fictitious job applications are sent in response to real job advertisements. Each pair of applications is virtually the same except for the age of the applicants, which is the ground of discrimination on which we focus. By monitoring the subsequent positive reactions from employers (or "call-back"), we can identify unequal treatment arising from this characteristic and give the unequal treatment a causal interpretation. Using this experimental setting, high levels of age discrimination have been found in Australia, England, France, Spain, Sweden and the United States (Ahmed, Andersson, & Hammarstedt, 2012; Albert et al., 2011; Bendick et al., 1996, 1999; Gringart & Helmes, 2001; Lahey, 2008; Neumark, Burn, & Button, 2015; Riach & Rich, 2006a, 2007, 2010; Tinsley, 2012). However, the (classical) application of the correspondence experimentation framework by most of the contributions cited here is problematic, because of a complication that in the present study we call the Difference in Post-Educational Years Problem. An older person inevitably has, in comparison with a younger person with the same educational background, a higher number of post-educational years at the moment of her/his application. Except for Neumark et al. (2015), who conducted their experiment simultaneously with ours, the correspondence studies mentioned above "filled in" these additional years in the résumé of the older candidates with a particular activity (additional in-field employment, out-of-field employment or inactivity), or let employers fill them in themselves (by only mentioning professional experience for the most recent career years). The particular listed or perceived activity undertaken by the older candidates may, however, send out an additional positive or negative signal to an employer, and might thereby bias the discrimination measures downwards or upwards, respectively. In other words, the experimental design applied most in the earlier research makes it difficult to determine whether unequal treatment is attributable to age discrimination or to discrimination based on differences in human capital or career gaps.

In the present study, we deal with the Difference in Post-Educational Years Problem by proposing an extended correspondence experiment. In this extended design, we combine the classical within-pair randomisation of the age of fictitious job candidates with a between-pair randomisation of the activity undertaken by the older candidates during their additional post-educational years. With this procedure, we avoid focusing on only one type of extra post-educational experience of the older worker, as previous studies have done. By taking this approach, we obtain an upper and a lower bound for the amount of age discrimination.

We report on the application of this framework to measure age discrimination in the Belgian labour market. During six months, we sent out pairs of fictitious job applications (from both women and men) to a balanced number of vacancies for the lower skilled occupations of production operator, administrative clerk and waiter, and for the higher skilled occupations of laboratory analyst, management assistant, and sales representative. For each vacancy, the younger age of 38 or 44 was disclosed in one of the applications, and the older age of 44 or 50 was disclosed in the other. Furthermore, we randomly assigned to the older member of the pair one out of three activities performed during her/his 6 or 12 extra post-

[1] Source: United Nations, World Population Prospects: The 2015 Revision ("Old-age dependency ratio 65+/(15 – 64) by major area, region and country"; Estimates 1950–2015; Medium fertility variant prospections 2015–2100). Western Europe comprises Austria, Belgium, France, Germany, Luxembourg, the Netherlands and Switzerland.

[2] Source: Eurostat, Labour Force Survey ("Employment rate by age groups").