

Extended abstract for the *ILR Review Special Issue and Conference on Reducing Inequality in Organizations* of Didier Fouarge & Raymond Montizaan¹

Do HR-officer's characteristics affect firm's willingness to hire older workers?

Background and research question: To face the burden of an ageing population, many industrialized countries have taken policy measures to postpone retirement and increase the labor force participation of older generations. Several empirical studies, however, show that although firms are willing to retain older workers, they are not prepared to hire them (Heywood, 1999; Hirsch et al., 2000 Heywood et al, 2008). This paper contributes to the existing literature by making use of a vignette study to investigate employer's willingness to hire older job applicants, and to assess the extent to which the hiring probability is related to the hiring officer's own age, his/her views about older workers' productivity and skills compared to that of younger workers, and other personal characteristics of the HR-officer.

Related literature: Economic theory provides several explanations for the failure of older workers to re-enter the labor market or to change jobs. First, a frequently mentioned explanation is that individual productivity declines with age which makes older workers on average less productive at performing tasks compared to younger employees (Phelps, 1972; Arrow, 1973). However, Skirbekk (2004) shows that this only holds for specific work tasks.

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Second, firms with greater firm-specific human capital requirements have been shown to be less likely to hire older workers because learning abilities decline with age (Hu, 2003; Wei, 2010). Third, the stigma of unemployment status may increase with age as less productive workers face higher risks to become unemployed when their career evolves (Manger, 2014), implying that employers are only willing to hire older workers when confronted with labor supply shortages (Karpinska et al., 2011). Finally, HR-officers may have a taste for discrimination (Becker, 1957), implying that they simply dislike older workers.

Contribution: Our paper analyzes whether HR-officers characteristics (age, views on productivity, ...) are related to their preference for hiring older employees. We thereby complement the existing literature by investigating whether age discriminatory hiring practices of firms depend on the personal characteristics of HR-officers and their matching preferences. This allows us to investigate to what extent the above mentioned theories are likely to explain why HR-officers are more or less likely to hire older employees who apply.

Data and approach: We use unique survey data collected among Dutch public and privatized sector employers (ROA Public Sector Employers Survey). The survey was fielded online among all (approximately 4.500) employers – mostly HR-officers – within these sectors of whom 1.100 answered the questionnaire. The core of the survey aims at monitoring HR practices in public sector firms.

Our analyses rely on a vignette study. Vignettes can best be described as hypothetical, yet realistic, situations in which stories about characters or scenarios appropriate to a particular

study are presented to respondents, after which they are asked to show their preferences, judgment, or anticipated behavior (McFadden et al., 2005). This allows the researcher to explore participants' views or behavior on the issues arising from the situation. The main advantage of using vignettes over standard survey questions is that it allows to take multiple attributes into account and to vary them randomly (Wason et al., 2002), allowing to estimate the relative importance of characteristics used.

In our vignette study, we presented HR-officers with the hypothetical situation that they need to hire a new employee. We then gave them the choice between two applicants. To make the choice simple and realistic, the applicants differed in three characteristics: their age (35, 45, 55 or 60 years-old), experience in a similar job (no, 5, or 10 or more years of experience), and the training need to function in the job (no training needed, short training needed to make skills up-to-date, or substantial training needed to make skills up-to-date). Each employer had to choose six times between two applicants. The attributes of the characteristics of the applicants were randomly assigned, thus enabling us to assess the importance of age in the hiring process relative to that of training needs and relevant work experience.

To identify the role of personal characteristics of HR-officers in the hiring process, and to investigate which of the above mentioned theories can explain the HR-officers' preferences for whether not to hire older employees, we also gathered detailed information on the personal characteristics of the HR-officers: the age of the HR-officer, how they think about the relative productivity, skills (such as, capacity to handle stress and to work independently, flexibility, professionalism, etc.), and wage costs of older workers, and organizational characteristics (financial situation, training policies, etc.).

We use conditional logit models and linear probability models to estimate the probability of being hired conditional on age, and estimate similar models in which we subsequently include interaction terms between the employees' age in the vignette and the age of the HR-officer. In the next step, we estimate models on the hiring probability in which we interact the age of the job applicant with the HR-officers assessment of the productivity, wage costs, and skills of older workers relative to younger workers, in order to identify the extent to which these assessments play an additional role in the hiring process. Finally, we successively add these interaction terms between age and the HR-officers' assessment as controls to our basic model which includes the interaction term between the job applicant's age and the HR-officer's age. These latter analyses, in combination with additional robustness checks, allow us to test which of the above mentioned theories provide the main reason for why HR-officers with different ages hire different proportions of older employees.

Main findings: Our model estimates show that the probability of being hired decreases substantially with the age of the job applicant. Other things equal, a 35 years-old applicant without experience has a 72% probability of being hired when choosing between two applicants, while a 60 years-old applicant has only a 28% probability of being hired. Having 10 years of related work experience increases the hiring probability by 29%-points relatively to applicants with no experience, while substantial training needs decreases the hiring probability with 53%-points. More importantly, our estimates show that the hiring probability of older job applicants depends significantly on the age of the HR-officer. Job applicants aged 60 years have a 3%-points higher probability of being hired when the HR-officer him-/herself is 56 years or

older, compared to the situation in which the HR-officer is 35-years or younger. We furthermore find that the HR-officers views about older workers' relative productivity and skills affect the hiring probability in the expected way. Especially negative assessments on productivity, flexibility, professionalism, and capabilities to cope with organizational change negatively affect the hiring probability of older job applicants relative to younger applicants. Surprisingly, negative views on the relative wage costs of older workers do not decrease the relative hiring probability of older job applicants. We also find that the negative assessments on productivity and skills of older workers have significantly smaller effects on the hiring probability of older applicants when HR-officers themselves are older.

We finally show that the significant interaction effect between the age of the job applicant and the age of the HR-officer does not disappear when we control for several organizational characteristics and the HR-officer's views about older workers' relative productivity skills, and wage costs, thereby ruling out several frequently mentioned explanations for the heterogeneity in age discriminatory hiring practices of firms. The fact that personal characteristics of HR-officers and their matching preferences remain to have a significant heterogeneous effect on the hiring probabilities of older workers indicates, in line with Becker's (1957) theory, that HR-officers, depending on their own age, may have different tastes for types of workers. Hence, the results suggest that involving more older employees in the hiring process might help to reduce the persistent unemployment difficulties of older job applicants.

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