

Younger versus Older Job Candidates – an Experimental Study in Hungary¹

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The continuous aging of the population in developed countries makes it necessary for older generations to stay on the job market longer. Governments are trying to achieve this by raising the retirement age and by decreasing the level of the pensions. This generates a so-called push effect on the time spent on the job market by older people. Additionally, older people have a higher need to stay active on the job market, which is not only due to monetary needs, but also because better and more available health care makes the expected number of healthy years to increase. This is the so-called pull effect.

Even if the push and pull effects are present, older people face some difficulties when on the job market. Despite governments are doing everything they can to level the playing field, there seems to be a strong preference against older job applicants from the employers' side. In the first part of our paper, we present the results from our field experiment about the Hungarian job market. As Johnson and Neumark (1996) point out, testing for discrimination with the help of such field experiments is an accepted and widely-used method. In the case of job applications, there are usually two levels of testing. The first is the sending of CVs and the collection of positive responses, while the second is the sending of actual subjects on actual job interviews. In both cases it is of the utmost importance for the

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potential employers to face minimal inconvenience as a result of data collection. We only work at the first level; we send out CVs of hypothetical candidates and collect the responses of the employers.

We made four hypothetical candidates, two older and two younger women, who applied for similar jobs. The first younger-older candidate pair applied for economic analyst positions, while the other pair for economic assistant positions. Within the pairs, the candidates had comparable work experience and educational levels, and all four candidates had children, the younger candidates had children attending kindergarten and elementary school. The older candidates had 6 years before they could retire. For the analysts, we mainly used LinkedIn to send out applications, while for the assistants, we used the largest HR portals of Hungary to find vacancies.

So far, our results are similar to the ones of De Grip, Fouarge, and Montizaan (2013). The older candidates are facing a more difficult situation when applying for jobs. In the case of the analyst positions, the older candidate barely got any positive callbacks, while the younger candidate seemed to get much more. For the assistant positions, the difference is not as large, but the preference towards younger candidates is still visible. We set up regression models to predict the probability that an older candidate (6 years younger than the retirement age) gets a positive callback by using data on the type of the workplace, the method of application, and the time of the application as explanatory variables.

In the second theoretical part we build a model based on the ideas introduced by Akerlof (1978) to see how the different acceptance of older job applicants relates to innovation capabilities. In our asymmetric information model, we treat the wage offered to the older applicant and the reservation wage of the applicants as given. We show that the belief of the employer about the innovation capabilities of the potential employee plays a great role in the decision whether the older candidate gets an offer. Even though our test results show that the older applicants have a higher chance for being rejected, we show that one possible explanation for this could be the beliefs of the employers about the innovation capabilities of the applicants. If the employer would put a higher probability on

the belief that an older applicant is also capable of innovation, then their respective wages would go up. If the wages remain low, older job applicant who are more creative would simply go and find other opportunities, such as starting a company to be self-employed, working for a relative or friend, and spending more time on their hobbies. So, in our model, we get an equilibrium where only the less innovative applicants apply for a job resulting in lower wages. This theoretical result is in line with our observation that in the case of the assistants, where less innovativeness is needed, the gap between older and younger applicants is lower, while for analysts, where more innovativeness is needed, the gap is much larger.

Our paper shows that even the pull and the push effects are not strong enough to level the playing field for older and younger job applicants. This might only be achieved by strengthening the push effect, but the political rhetoric and government programs are also playing an important role in changing the preferences of the employers.

Related Literature

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