To be hired or not to be hired, the employer decides: relative chances of unemployed job-seekers on the Dutch labor market
van Beek, K.W.H.

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7. IMPLICATIONS FOR THEORY AND POLICY

7.1 Introduction

The results we found in chapters 5 and 6 may seem to be a challenge to the picture of the firm as a money profit maximizing agent. Or is the observed selection behavior yet in accordance with profit-maximization? In section 7.2 we will discuss possible theoretical explanations for the outcomes of the survey. The hypotheses formulated in chapter 3 will lead us through this exercise. The findings of the survey can also be of use to judge current Dutch labor market policies. Section 7.3 explores this angle and points out possible new directions in labor market policy; directions which correspond to the mechanisms revealed in this study. Section 7.4 concludes.

7.2 Hypotheses tested

Hypothesis 1 in section 3.2 was based on the notion that employers are primarily trying to maximize their money profits. Hence, they should be interested in productivity-related characteristics when selecting their lower skilled employees. As we saw in chapter 5, the main results of this study do not seem to correspond very well to this picture. If employers are actually trying to make as much money as possible, they seem to be looking systematically at the wrong variables. They do not select lower educated job-seekers using indicators of human capital such as previous work experience, nor do they pay much attention to unemployment records. They do take education and command of language into account, but not to a degree comparable with the importance of gender, health, age or origin. Moreover, they are willing to sacrifice large amounts of subsidy in order to meet their preferences for young, healthy, native men. These findings do not seem to support hypothesis 1. Whether we can actually reject hypothesis 1 will be discussed hereafter.
That employers use characteristics like age, health, gender and ethnic background as selection criteria, leads us almost automatically to accept hypothesis 2. Hypothesis 2 stated that employers select their lower skilled personnel at least in part on characteristics which are not directly related to potential productivity. This, however, leaves us with the possibility that employers do so because they think productivity is related to these variables in a more indirect way. This question is reflected in the formulation of hypotheses 3 and 4. Hypothesis 3 supposes employers select their personnel in part on characteristics which are not directly related to productivity, in spite of their own neutrality on the matter; they do so because (they think) the circumstances make it cost-efficient. Hypothesis 4 puts forward the proposition that employers have a taste for discrimination and willingly do not select their personnel in a cost-efficient way. The following two subsections will discuss these possibilities.

7.2.1 Cost-efficient selection behavior?

Hypotheses 3a and 3b provide us with two possible explanations in line with hypothesis 3. They suppose the source of discriminatory behavior to lie outside the sphere of influence of the employer: employee and customer preferences. The results of the survey suggest that employers do anticipate the preferences of their environment. Immigrants are less wanted in jobs with a lot of customer contact and females are less wanted in establishments where few women are employed. The former is a clear example of firms acting as the agent of the (supposedly) discriminating client. The latter may depict employee preferences (male co-workers do not accept female colleagues) but may also point at an enduring employer preference (employer never wanted to employ many women and does not want them now, either). A clearer example of employers anticipating employee preferences may be found in the result that immigrants are more easily adopted in larger firms. Since larger firms almost by definition employ a wider variety of employees, immigrant workers are less likely to stumble on a block of anti-immigrant co-workers in larger firms.

We must not forget, however, that we do not measure employee or customer discrimination directly. What we measure is behavior of personnel selectors. They may correctly anticipate truly existing discriminatory preferences of other people, but they may also let their own preferences influence their assessment of customer and co-worker
preferences. If they estimate customer preferences correctly and select employees accordingly, discriminatory behavior anticipating these preferences may be cost-efficient to the firm. If, on the other hand, personnel selectors either over- or underestimate other people’s tastes, selection behavior according to their erroneous assessment of these tastes may not be cost-efficient. It was argued in section 3.4.2 that truly erroneous behavior should cancel out over larger groups. It is, however, also possible that employers use customer preferences as pseudo-rationalizations of their own (latent) preferences (see also figure 3.1). From the results of this study, it cannot be decided whether the observed anticipation of customer discrimination reflects truly cost-efficient selection behavior or a pseudo-rationalization of employer taste.

Similar questions can be raised regarding the anticipation of (presumed) co-worker preferences. This situation, however, contains one more complexity. Whether co-worker discrimination can be profitable to firms and/or workers depends on the situation at hand; for example, on the role of unions.

Thus, hypotheses 3a and 3b are only partly confirmed. The outcomes of the survey confirm that employers anticipate customer and co-worker discrimination against ethnic minorities in their selection behavior. But it cannot be decided whether customers and co-workers actually show discriminating behavior and thus it cannot be decided whether the observed anticipation of such discriminating behavior is truly cost-efficient or a pseudo-rationalization.

Hypothesis 3c puts forward another cost-efficient explanation of selection on characteristics which are not directly related to productivity. If true productivity is harder to measure for a certain group, it may be a cost-efficient strategy to select employees from the group with the more reliable indicators of productivity. This situation could apply in particular to applicants with an ethnic background. Because of cultural differences or a foreign education, they may encounter problems in communicating their true capacities to personnel selectors. Hypothesis 3c proposes that employers who are risk-averse may prefer workers with clear signals of their capacities. It was argued in section 3.4.2 that for firms lacking the means to take risks in personnel hiring, risk-aversion may be an optimal strategy for survival. This would apply in particular to small firms. An indication for risk-aversion of small firms may be found in the estimation
results for the acceptability model: bigger firms are less picky when it comes to acceptable applicants than small ones (see table 6.1). Furthermore, the estimation results regarding the preference model, indicate that applicants with an ethnic background are less disliked in bigger firms. From these findings we may conclude that risk-aversion does play a role in personnel selection. Whether this behavior is actually cost-efficient cannot be decided from the survey.

The anticipation of customer and co-worker discrimination (hypothesis 3a and 3b) and the acceptance of the risk-aversion proposition (hypothesis 3c), still leave a large part of the preferences of employers unexplained, as can be seen from table 5.3. Hypothesis 3d provides a possible explanation for the remainder of employer preferences. Employers may have difficulties in assessing the real productive capacities of applicants and therefore use easy to observe characteristics like age, origin, gender and health as cheap screening devices. If employers are actually profit maximizing agents, they will only use these screening devices insofar as they give an accurate prediction of the average productive capacities of applicants belonging to the groups behind these characteristics.

Let's first take a look at the size of the remaining differences. Suppose, for instance, that we would try to offer an immigrant and a native with equal qualifications, equal opportunities in an application by means of a direct subsidy to the employer. Refraining from possible customer discrimination, we look at a vacancy for a non-commercial job. The biggest amount in the profiles ($600 a month, or about 25% of the average wage cost in this segment of the labor market) is not nearly enough to offset the disadvantage of being an immigrant. In fact, from table 5.3 we can see that the disadvantage of being an immigrant is between 1.5 and 4 times - depending on firm size - bigger than the advantage of a $600 a month wage cost subsidy. In the light of this finding we can reformulate the question of cost-efficiency: could it be that immigrants are (much) more

It may be tempting to state that the disadvantage of being an immigrant can be offset by a wage cost subsidy of - in this case - 1.5 to 4 times $600. This conclusion, however, cannot be verified, since it is not possible to derive the impact of larger subsidies from the available data. In fact, it seems probable that raising the subsidy has more than a proportional impact. Early specifications of the model (4.4) indicated that the effect of a $300 a month subsidy equals the effect of no subsidy; it may be thought that a $300 subsidy is just enough to offset the 'stigma' of being a subsidized worker. If in this case there would be a linear relation, a $900 subsidy would have twice the effect of a $600 subsidy. However, we may only assume linearity of the subsidy effect in the vicinity of the subsidy-amount on the profiles.
than 25% less productive each month than native people of the same gender, the same age, of equal health, with equal work experience, with equal availability, with the same family situation, with equal language proficiency, with equal travelling time, with the same current status and of equal education?

Similar questions can be raised regarding the characteristics age, health and gender. For an otherwise equal applicant who has a slightly increased probability of sick leave, we will need a subsidy which has an effect 4.25 times bigger than the effect of a monthly subsidy of $600. For otherwise equal job-seekers who differ only with respect to age - say, the one is 20 and the other 40 - we will need a subsidy with 5.5 times the effect of a $600 subsidy. For female job-seekers the subsidy amount needed to offset the disadvantage of being female differs with the situation at hand (see tables 5.3 and 5.5). Female applicants may have a disadvantage in jobs requiring heavy physical labor. Furthermore, it may be argued that the lower preferences for female breadwinners are actually related to a true loss in productive capacity: existing role-models in households may burden female breadwinners with conflicting responsibilities. It must be noted that these two disadvantages may also reflect spurious assessments of true productivity, but we will for the moment refrain from that possibility. Thus, concentrating on vacancies which do not require heavy physical labor and on women who have a breadwinning partner, a subsidy will be needed with an effect between -1.5 and 12 times the effect of a $600 subsidy in order to provide the female applicant with the same opportunities as an otherwise equal male competitor.

The size of the subsidy amounts needed, may be interpreted as a measure of the differences in true productivity employers think immigrants, workers with a slightly increased probability of sick leave, older workers and females have. These differences may then be attributable to other measures of productivity, not included in

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21 The figures of -1.5 and +12 correspond to the situations with the highest and lowest probability for female applicants in table 5.5, apart from vacancies requiring heavy physical labor and in case the woman is not a breadwinner. The highest probability corresponds to a vacancy in a service sector firm, with already half the workers in this firm being female (in this situation the female applicant actually has an advantage over the man). The lowest probability corresponds to a vacancy within the construction sector in a firm employing no female workers.

22 In the questionnaire the subsidies were explicitly characterized as 'permanent'.
the profiles, but correlated to the variables which are in the profiles. If such differences constitute a correct reflection of the average true capacities of these groups, the screening of applicants on the basis of these characteristics may actually be cost-efficient. On the other hand, it is also possible that employers have a false picture of the true capacities of these groups; at least part of observed selection behavior may then be interpreted as a result of preferences not related to productivity and is not cost-efficient.

Whether one concludes that the observed differences can reflect differences in true average productivity, remains a matter of judgment. In view of the large number of other characteristics which we control for, combined with the size of the observed differences, however, I am inclined to argue that employers sacrifice a lot of potential productivity for their prejudice. If one goes along with this conclusion, hypothesis 1 is only part of the story.

7.2.2 Discriminatory tastes?

Hypothesis 4 stated the possibility that employers have a taste for discrimination against certain workers. In this case, they would willingly sacrifice money profits to meet their preferences. As was argued in section 3.4.2, there seem to be several types of overlap between cost-efficient screening and true tastes. These overlapping areas were labelled pseudo-rationalizations. From the results on the preference model, as was argued above, we cannot provide solid distinctions between the possibilities of cost-efficient screening, pseudo-rationalizations and true tastes of employers. The same argument seems to hold, if we take into account the answers to explicit questions on selection criteria, which were presented in table 5.1. Table 5.1, for example, shows that about 24% of the respondents in the survey regard any applicant with an ethnic background as unacceptable (the percentage differs somewhat with the respective backgrounds). Also, 79% of all respondents explicitly prefer a native Dutch applicant. Although explicitly disclosing one’s dislike for ethnic minority workers and one’s preference for native Dutchmen, without any further reservations, may be interpreted as a sign of taste as defined by Becker (1971), it can also be argued that these explicit answers are just another indication of either true cost-efficient screening behavior or of pseudo-rationalizations of (latent) tastes. Similar remarks can be made concerning the characteristics age, gender and health.
In the preceding section it was argued that there are strong indications that the observed selection behavior is not cost-efficient. In that case the distinction between a taste and a pseudo-rationalization, may not be very relevant. According to Becker’s definition of discrimination, a pseudo-rationalization may actually be called a taste, since pseudo-rationalizations also cost money.

This conclusion leaves us with the question what 'taste for discrimination' actually means, where does it come from, how invariable are such tastes, etcetera? Becker (1971) does not address these questions, let alone answer them and it seems not possible to derive any further idea on the meaning of tastes from the data studied here. Therefore, we will stick to Becker’s definition which was quoted in section 3.4.1.

Finally, hypothesis 5 stems from an institutional angle rather than individual firm behavior and was based on Thurow’s (1976) model of job-competition. In Thurow’s model the combination of fixed wage rates and the idea that "marginal product resides in the job and not in the man" (p. 77), provides room for selection on criteria which are not directly related to productivity. Hypothesis 5 formulates Thurow’s proposition that employers select their personnel on trainability rather than on human capital.

In section 3.5 it was argued that describing the lower end of the Dutch labor market by means of a job-competition model would be of value, because of the highly regulated nature of this part of the labor market. Wage-competition in this segment seems to be largely ruled out by minimum wage legislation and collective agreements. This argument would meet the fixed-wage-rates-requirement for applying Thurow’s model.

Trainability, however, is not an easy to identify characteristic and was not included in the profiles that were used in the survey. Indirect indications that the idea of trainability does play a role in personnel selection, may be derived from the importance of the variables age and education. It may be thought that older people have less capabilities to learn new things. Level of education gives an idea of what people have already learnt and thus may provide some indication of how trainable people are. The variables age and education, however, may have more meaning to the personnel selector than just trainability. Age and education may, for example, also represent accumulated human capital. Thus, it seems not possible to draw any further conclusions about the Thurow-model on the basis of the results of this study.
7.2.3 Concluding remarks

Although the observed preferences may reflect profit maximizing behavior of employers, strong indications are present that there are also other, discriminating mechanisms at work. Characteristics of job-seekers which are directly related to productivity, such as education, work experience, etcetera, are of less importance than those not or only indirectly related to productivity, in particular gender and ethnic background. This story, however, is only skin deep: the finding that employers take characteristics into account that are not directly related to productivity leaves us with a variety of explanations for such behavior, some of which are in accordance with profit maximizing behavior. However, a discussion of the various possibilities found in the literature of cost-efficient screening using discrimination-related characteristics, does raise some rather serious questions about the true intentions of employers. Although this discussion may not lead us to a sound proof that the observed selection behavior contradicts money profit maximizing strategies of firms, it does provide strong indications that employers are willing to sacrifice money profits in order to satisfy their preference for young healthy, native, male employees. Finally, it must be noted that although the job-competition model of Thurow may apply to the lower end of the Dutch labor market, it was not possible to test the ensuing hypothesis that employers are primarily looking for trainable rather than skilled workers.

7.3 Implications for policy

Since economic science not only has a describing but also a prescribing nature, it seems natural to sketch some practical implications of the preceding results. The conclusions drawn in the previous section on labor market behavior of employers give rise to practical implications for two different parties. Sections 7.3.1 through 7.3.5 will investigate government policies and present some suggestions for a better functioning of the lower end of the Dutch labor market. Section 7.3.6 will glimpse at hiring policies of employers themselves.
7.3.1 Current labor market policies

Government policies meant to improve employment possibilities of groups with a weak labor market position, may take different forms. In section 2.3 we distinguished supply-oriented and demand-oriented policies. The former are aimed at job-seekers; for example, at improving their qualifications or providing them with sheltered work. The latter are aimed at employers; for example, providing them with employment subsidies when employing long term unemployed.

Of the characteristics of job-seekers which have been investigated in this study, some are eligible for both supply-oriented and demand-oriented policies. Level of education, language proficiency, travelling time, current position, availability, work experience and wage costs may in principle be subject to both policy types. For example, it may be possible to train job-seekers but at the same time we may try to convince employers that a lower level of education may not be a problem for certain job-assignments. On the other hand, age, health, gender, family situation and ethnic background are invariably linked to individuals and thus cannot be subject to supply-oriented policies but only to demand-oriented policies.

As we saw in section 2.3, current labor market policies in the Netherlands almost exclusively cover variables eligible for both supply- and demand oriented policies. Thereby these policies are almost all of the supply-oriented type. We will first look at these existing policies and relate the findings of this study to them.

The results of this study indicate that job-seekers who meet the educational requirements for a given job-assignment, have better chances than job-seekers with an insufficient level of education. From this it may be concluded that training jobless job-seekers may positively affect their employment possibilities. Training, however, is only meaningful up to the level required for a given job. Overschooling has no or even a slight adverse effect. These results support the further development of vocational training and emphasize the importance of matching training efforts to job-requirements.
Also of importance for the employment possibilities of job-seekers is a good command of the Dutch language. Language courses therefore may improve the chances on the labor market of immigrants. For immigrants, however, having a limited command of the Dutch language is not the most important barrier towards employment; being an immigrant, regardless of one’s language proficiency is far more important.

Work experience has no positive (and no negative) effect on employment possibilities of lower skilled job-seekers. This, however, does not imply that promoting work experience of job-seekers would not be helpful. Although work experience itself may not be valued by employers, the contacts made through work experience may lead job-seekers to more permanent jobs. This finding corresponds to the fact that the transition from sheltered work to employment in the market place is problematic (see e.g. OECD (1992b)); sheltered work may produce work experience but as it is sheltered, may not provide the contacts necessary for finding a regular job. The relative importance of such contacts, however, cannot be revealed by research of the type presented here.

Wage cost subsidies only have a limited impact on labor market chances of job-seekers. As we saw in the preceding section, employment subsidies are inadequate to even out the more important barriers on the labor market. Wage cost subsidies in the Netherlands are aimed at job-seekers who have been out of work for more than one or two years. From the results on the preference model, it appears that a wage cost subsidy of \( f 600 \) a month (about 25% of the wage costs at the lower end of the Dutch labor market), is just enough to offset the negative effect of long term non-participation, relative to short term unemployment or still being in education (see table 5.3). The demarcation line between short and long term unemployment seems to lie at about six months. However, long term unemployment - as compared to short term unemployment - appears to be but a minor disadvantage for job-seekers at the lower end of the labor market.

Those characteristics which can only be subject to demand-oriented policies, are not, or only indirectly, covered by existing policy efforts. There are some more general lines of policy such as emancipation policy, policies regarding ethnic minorities and reintegration policies for the (partly) disabled, which may include employers’ attitudes regarding gender, ethnic background and health. In the light of the results of this study, however, it must be noted that these policy efforts have not resulted in equal opportunities for women, immigrants or job-seekers with a slightly increased probability of sick leave. Age discrimination is not in any way subject of existing policies.
If employers are asked to choose between a variety of job-seekers, however, these characteristics appear to be very important; far more important than the characteristics which are covered by current policies. As we saw in the preceding section, there are different possible explanations for the observed preferences of employers for young, healthy, native, male workers. Depending on the type of explanation and the respective characteristics, different policy alternatives may apply. The various possibilities will be grouped by characteristics in the next subsections. We will start with policies regarding ethnic minorities, although many of these policies may apply equally well to female job-seekers, as will be showed in subsection 7.3.3.

7.3.2 Policies regarding ethnic minorities

In section 7.2 it was shown that there are several explanations for the finding that ethnic minorities have lower labor market chances than native Dutch job-seekers. We found the following: customer and co-worker discrimination, risk-aversion by small firms, pseudo-rationalizations and tastes.

From the discussion on the possible cost-efficiency of preferences for native workers, it can be concluded that improving competition in the product market may cure many fallacies of the current situation. In a truly competitive environment, firms will be billed for pseudo-rationalizations and for possible tastes for discrimination.

In this respect, the importance of the proposed breakdown of cartel-protection policies in the Netherlands (in line with much stricter anti-trust policies of the European Community) can hardly be undervalued. Competition between firms stimulates the search for the best personnel rather than the most preferred personnel. Furthermore, competitive forces will discourage the use of spurious information on, for example, the extent of customer discrimination or the average true productivity of immigrant workers. Also of importance is the proposed breakdown of the barriers of entry to many different trades. New entrants to markets not only may lead to more competition but also may lead to different hiring policies. Especially if new entrepreneurs are themselves of ethnic origin, problems related to possible cultural differences may become less important. In this respect the promotion of ethnic entrepreneurship may be of importance (see e.g. Van der Zaan (1992)).
If we refrain from possible calculated discriminatory behavior, another way of promoting chances of ethnic minority job-seekers may be found in the introduction of awareness policies. Examples of such policies may be an Employment Equity Act (EEA, see e.g. WRR (1989) and Van der Veen (1990)) or the introduction of industrial standards for hiring and employment policies of firms (see e.g. Municipality of Amsterdam (1992)). An EEA requires firms to publish the composition of their work force, compare this to the composition of the regional labor supply and formulate employment policies if the two differ too much. The prime aim of an EEA is to enable the public (both inside and outside the respective firm) to judge whether firms have 'good' personnel policies. Public opinion may then force firms to change their behavior if so desired. An industrial standard has objectives similar to an EEA, except that this option only distinguishes between firms with 'good' employment policies and 'bad' ones.

Such 'awareness policies' only seem applicable for larger firms (can we expect a three worker work force to reflect the regional composition of the labor market?). This study, however, indicates that ethnic minority job-seekers have more problems finding jobs in small firms. As was argued in section 7.2.1 this may be due to risk-averse hiring strategies aimed at survival of the firm rather than profit maximization. Since risk-aversion only leads to discriminatory hiring behavior insofar as it is hard to measure the potential capacities of individual applicants, it may be argued that small firms need some extra help in hiring suitable workers. The Public Employment Service (PES) may make such help operational, by counseling thoroughly screened candidates individually to employers (see e.g. Van den Berg and Van der Veer (1990)). In doing so, the PES may take away some of the risky investment costs associated with thoroughly screening candidates.

The preceding suggestions are primarily aimed at improving the chances of ethnic minority job-seekers in general. In finding a job, however, individual job-seekers of ethnic origin may still encounter cases of true discrimination. Personnel selectors who reject candidates on the basis of their ethnic background, violate the first article of the

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23 In 1992 the minister of Social Affairs and Employment put forward a very restricted version of an EEA: firms only have to provide information upon request of the three-party-ruled (government, employees and employers) Public Employment Service (PES; RBA in Dutch) and the information is not open to the public. The proposal is still in discussion.
Dutch constitution. Individual job-seekers, however, may not even know they are being discriminated against. Generally, rejected applicants will not be informed about the qualities of the successful candidate. So, they cannot compare these qualities to their own and are not in a position to judge whether there might be suspicion of discriminatory selection behavior. Added to this, in case there is ground for such suspicion, rejected applicants will find it hard to demonstrate that the law was actually violated. Riach and Rich (1991b) describe this enforcement problem and propose two possible ways for dealing with it.

First, they suggest to provide rejected applicants with information about the qualifications of the successful applicant. This way rejected applicants may file a complaint in case they suspect being rejected on discriminating grounds.

Second, they suggest random audits of hiring practices, to be conducted by an independent institution. This would require employers to keep records of all their hiring decisions for some period of time. This information would enable the auditors to check whether discriminating hiring behavior may be suspected and to file a law-suit in case evidence for such behavior is found.

Whether measures requiring employers to disclose their employee selection behavior, which may be labeled a Fair Hiring Act, can be effective remains to be seen. The first part of such a Fair Hiring Act may be used by many unsuccessful applicants to falsely accuse personnel selectors of discriminatory tastes. Besides, both the first and the second part seem to provide ample room for covering up discriminating selection behavior. On the other hand, it may be argued that such a Fair Hiring Act may provide the necessary information to enforce a law which is hard to enforce with regard to hiring practices without such information. A regional pilot project might provide the necessary practical experience to assess whether a Fair Hiring Act is a feasible instrument.

Finally, minimum wage legislation and collective agreements have in most trades ruled out the possibility of wage-competition. This implies that jobs are rationed and that many less preferred workers do not get a chance to show their abilities, nor to expand these abilities by experience, nor to expand their contacts in the labor market, all this just because they are not hired (see also Niesing et al. (1993)). The simulation in chapter 6 illustrated that the combination of observed employer preferences and job-rationing, may leave weak groups on the labor market in continued want of work. More wage-
competition at the lower end of the labor market, may create job-openings for those who are currently deprived of a regular job. The alleged existence of a hidden labor market which employs many workers with an ethnic background (and women) may serve to illustrate this point. However, results of Koopmans (1989) seem to suggest that the same groups are successful in the hidden labor market as in the regular labor market. More wage-competition may be started off by the minister of Social Affairs and Employment. As was argued in WRR (1990) he may refuse to extend conditions in a collective agreement to all firms in a trade (AVV, see also section 2.3.1), if interests of a third party would be damaged by doing so. Also, it was noted in section 2.3.1 that in 1990 average wage floors in (extended) collective agreements were about 10% higher than the legal minimum wage. In WRR (1990) it was argued that AVV-ing such conditions may damage the employment possibilities of lower skilled workers. Added to this, WRR (1990) also suggested a way to reduce the level of the legal minimum wage. Such a measure may provide more room for wage-competition, but only if the practice of AVV is enacted more deliberately.

7.3.3 Policies regarding female job-seekers

Many of the remarks made in the previous section regarding the labor market chances of ethnic minorities can easily be translated to the employment possibilities of female job-seekers. Publicity (awareness policies such as an Employment Equity Act or an Industrial Standard and an enforcement policy such as a Fair Hiring Act) and competition (both in the product and in the labor market) may stimulate firms to abandon possible prejudice against women and may help in providing new employment possibilities to female job-seekers at the lower end of the Dutch labor market. Apart from these possibilities, we may also derive some other accents from the results of this study.

Female job-seekers have especially low employment chances in the sectors industry and construction, even in jobs requiring no heavy physical labor. Added to this, relatively few women are employed in these sectors, which reduces the chances of women being hired in these sectors even further. These findings may imply that women are actually less productive in these sectors due to productivity related characteristics which were not
included in the profiles, but which are related to being female. It may, however, also be that the 'masculine culture' of firms in these sectors influences hiring behavior. If the latter motivation dominates, improving competitive forces in these sectors may provide firms with a more gender neutral hiring policy with possibly large gains. Anti-discrimination policies such as an Equal Opportunities Act or a Fair Hiring Act described in the previous subsection, may demonstrate employers in these sectors to what extent their preferences for male workers are based on prejudice.

Family situation is a characteristic which only appears to be of importance for female job-seekers. The results of this study suggest that women who are breadwinners for their households (which means here that they either live alone or are a single parent with two dependent children or are breadwinner for a complete family with two dependent children) have lower chances in finding work than women who have a breadwinning partner. As was argued in section 7.2.1, this finding may point at a true loss in productivity because existing role-models in households may burden female breadwinners with conflicting responsibilities. If this is the case intensifying existing policies on child-care facilities and more generally intensifying policies aimed at combining regular work and household tasks for both males and females would be appropriate.

7.3.4 Policies regarding older job-seekers

Age is the most important selection criterion for lower skilled job-seekers. It may be argued that people can influence their age no more than they can influence their gender or ethnic background. Nevertheless, the perception of age as a selection criterion contrasts sharply with selection on the characteristics discussed in the previous two subsections. Whereas selection on gender or ethnic background is intolerable for reasons of principle, rejecting applicants because they are 'too old', is a totally acceptable phenomenon. This can be read, for example, from the answers to explicit questions in table 5.1. It can also be read from personnel advertisements which almost by no exception contain an age-limit. Unemployment statistics for the Netherlands do not include unemployed over 57.5 years of age. Many more examples of age as an accepted screening device for workers may be found.
The importance of age in daily life is not limited to selecting personnel nor to the labor market in general. Huizer (1991) investigates the hundreds of age-limits in Dutch laws and regulations. He concludes that most of these are badly motivated, badly defined and seem to serve practical reasons rather than principles of justice. Moreover, he argues that the division of life into strictly age-related phases stems from obsolete physiological notions: "development differs from person to person and from function to function" (p. 233).

The importance of age in the labor market may cause some serious problems in the nearby future. With an ageing labor force it is a dire necessity to take older suppliers of labor seriously. Added to this, the general acceptance of selection on the basis of age may cause the dislike for older job-seekers to become a self-fulfilling prophecy. Workers who know they will not be taken seriously once they get older, may adapt to this prospect and invest less in keeping their skills up-to-date.

Policy initiatives aimed at providing better chances for older job-seekers could start at dismantling the respectability of age as a screening device. This would imply reviewing many day to day uses of age-requirements in many different policy areas. An example may be the renewed inclusion in unemployment statistics of unemployed workers over 57.5 years of age. A next step may include banning age-limits from personnel advertisements.

7.3.5 Policies regarding job-seekers with a slightly increased probability of sick leave

Labor market prospects for people with a 'slightly increased probability of sick leave', seem to be rather low compared to the seriousness of their health problem. The apparent weight employers attach to medical information may be fought by a ban on medical tests as a screening device. But even such a ban, may not restrain employers from using previous sick leave records or a spell of disability as estimates of possible future health problems. Insofar as health is erroneously used by employers as a (cheap) screening device, intensive counseling as described in 7.3.2, may improve the chances of job-seekers with a health problem. Besides, it may be noted that the new, so called, bonus-malus-system for disability benefits, may even encourage employers to test for potential
future health problems. On the other hand, this system may also stimulate employers to actively re-employ workers who would otherwise have ended up on a disability benefit. The results of this policy have yet to awaited.

7.3.6 Hiring policies of firms

In an increasingly competitive environment, firms will need the best personnel they can get. This also applies to the choice of lower skilled workers. Selecting good personnel, however, is not an easy task and it may be tempting to rely on one’s ‘Fingerspitzengefühl’ or one’s ‘nose’, which were mentioned as important tools for personnel selection in the preliminary studies. These tools, however, may pick the ‘wrong’ employees in terms of productivity. The revealed preferences in this study indicate that such tools preferably point out applicants who are young, healthy, native and male or close to this ideal picture. Such applicants, however, are relatively scarce. Therefore, they may be expensive and yet may not have the right qualifications.

The institutional ordering of the Dutch labor market, seems to offer a screening device which is unrivaled by any other assessment of worker capabilities: trial work periods. As was argued in section 7.2.2, such trial work periods can be arranged through temporary employment agencies and/or through fixed term contracts. It must be noted that the use of trial work periods for screening personnel was also mentioned in the preliminary interviews.

Using trial work periods rather than screening applicants on easy to observe characteristics, may in particular apply to workers who may currently be disregarded as a result of possible misapprehensions of their true productivity. As such this study has concentrated on women, older workers, ethnic minorities and workers with a slightly increased probability of sick leave.

Although it has not been possible to provide a solid proof that firms sacrifice money profits by screening applicants primarily on their age, health, gender and ethnic background, the results of this study provide food for thought for personnel selectors. In the face of an ageing work force, increasing female labor force participation, increasing numbers of ethnic minorities on the labor market and the policy-objective of reducing
the numbers of sick leave and disability benefit recipients, personnel selection should be
given extra attention. Thereby it must be noted that anti-trust rulings will increasingly
expose firms to competition in product markets. Employers who select their personnel on
true capacities only, will find themselves in a profitable situation compared to those who
let other objectives enter their utility function.

7.4 Conclusion

This study has shown that lower skilled job-seekers without a job are primarily selected
by employers on the basis of characteristics that they cannot influence themselves: age,
gender, health and ethnic background are the most important selection criteria. Whether
the observed preferences reflect discrimination or cost-efficient screening or lie
somewhere in between these two and may be called pseudo-rationalizations, does not
seem to alter the gloomy picture the results imply for lower skilled job-seekers who are
not young, healthy, native and male.

The finding that lower skilled job-seekers can do little to improve their own chances on
the labor market, has strong implications for both theory and policy. Hiring decisions by
employers are of importance in analyzing both the supply and the demand side of the
labor market. As was illustrated by the simulation in chapter 6, the empirical results on
employer preferences presented here may be used to link models of supply and demand.
Policy makers may use the results of this study to focus a greater part of their attention
on the demand side of the labor market. Influencing employer preferences may be more
successful in increasing chances of problem groups on the labor market than current
efforts aimed improving qualifications of job-seekers. Finally, the findings on their
selection behavior may stimulate employers themselves to critically review their own
hiring policies: is it really optimal to select primarily on age, gender, health and ethnic
background? Is there any solid information that justifies selection on these criteria? Or is
it possible to design screening methods which result in selecting the best employee
without using characteristics that are not directly related to productivity?