

# Employer's recruitment decisions and statistical discrimination

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WP01  
Tensions  
between flexibility  
and security

## Research task coordinators

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## Project description

### How employers recruit their staff in the low skill segment of the labour market ?

We were particularly interested in the signals that employers use to make recruitment decisions. The focus on the low skill segment was justified by the fact that it is mostly low skill people who have difficulties finding jobs in Europe and that they are the main clients of activation.

An effective activation policy must take into account the way in which companies select their staff.

Another research question has been why public employment services seem to have so modest success in facilitating the match between workers and employers. This is a classic question, which we try to answer by means of theories of asymmetric information and signals.

## Method

Qualitative interviews with 41 employers in 6 different countries. These are all employers who recruit mostly unskilled labour. Examples are:

- fast food restaurants;
- cleaning companies;
- laundries, supermarkets;
- food manufacturing companies.

Companies were selected to vary according to size as well.

The following countries were covered:

- Denmark;
- Germany;
- Italy;
- Hungary;
- Slovenia and
- Switzerland.

We spoke to human resources managers, managing directors or company owners, depending on company size. Interviews were recorded, fully transcribed and translated into English.

## Main research findings

### Inequal impact of various signals

We found that the traditional signals known to be used as statistical discrimination devices (old age, immigrant status and unemployment) play a somewhat reduced role, since these profiles are overrepresented among applicants for low skill positions in all countries covered.

On the other hand, we find that other signals, mostly considered to be indicators of motivation, have a bigger impact in the selection process. These tend to concern the channel through which a contact with a prospective candidate is made. Unsolicited applications and recommendations by existing staff employment office is associated with the likelihood of lower motivation.

### A double-sided asymmetric information problem

Another finding is that the labour market is troubled by a double-sided asymmetric information problem. Therefore both employers and employees have strong incentives not to use the public employment services. The reason is that employers try to avoid the 'worst' employees, and employees try to avoid the 'worst' employers. Therefore public employment services get caught in a low-end equilibrium that is almost impossible to escape.

## Publication output

- Christian Albrekt Larsen and Patrick Vesan, "Why Public Employment Services Always Fail Double-sided asymmetric information and the placement of low-skill workers in six European countries", *Public Administration*, forthcoming.
- Giuliano Bonoli, Karl Hinrichs, "Statistical discrimination and employers' recruitment practices for low skill workers", *RECOWE Working Paper No. 10/2010*. Revised version submitted for publication.
- Annette Quinto Romani and Christian Albrekt Larsen (2010) "Activation as a tool to bypass the ordinary recruitment process: Active labour market policy, network and discrimination", *CCWS Working Paper*, No 67, Aalborg University.
- Christian Albrekt Larsen (ed.) (2009) *Ledighedsparadokset. Information, netværk og selektion på arbejdsmarkedet [The Unemployment paradox. Information, Networks and Selection at the Labour Market]*, Copenhagen: Frydenlund.
- Christian Albrekt Larsen (2008) "Networks versus Economic Incentives: An economic sociological account of the transition from unemployment to employment", *CCWS Working Paper*, No 59, Aalborg University.