



Why are unemployed aged fifty and over less likely to find a job? A decomposition analysis

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ABSTRACT

Reemployment chances for unemployed aged fifty and over are low compared to those of younger persons. To explain the different chances, the job search literature has largely focused on the job search behavior of unemployed individuals. Based on job search models, we propose that not only job search behavior, but also wage setting behavior, attitudinal variables and personal variables impact the difference in reemployment opportunities. Besides gaining insight into which variables explain the difference in reemployment opportunities, we also test how much of the difference each of these variables explains. We do this by drawing on a decomposition analysis. Using data from 647 recently unemployed, we find that about one third of the reemployment gap can be explained by the variables suggested by job search models, mostly in terms of age differences in search behavior, educational levels and reservation wage. Hence, about 70 % can be ascribed to other factors, such as employer preferences for those aged between 18 and 49. Implications of these results for theory, policy and practice are discussed.

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1. Introduction

Job finding rates from unemployed jobseekers aged fifty and over are extremely low compared with those for younger age groups (European Commission, 2010; OECD, 2006; Klehe, Koen, & De Pater, 2012; Wanberg, Kanfer, Hamann, & Zhang, 2015). To explain reemployment chances, the job search literature has merely focused on the job search behavior of unemployed individuals, whereas also other components are likely to be of influence. Up to now, most attention has gone to job search intensity as indicator of job search behavior (Kanfer, Wanberg, & Kantrowitz, 2001; Saks, 2005; Koen, Klehe, Van Vianen, Zikic, & Nauta, 2010). Job search intensity indicates how often jobseekers during a certain period of time conduct certain job search activities, like going to job websites, discussing job possibilities with former employers, etc. Still, the explanatory power of job search intensity for reemployment chances is rather limited (Kanfer et al., 2001; Sverko, Galic, Sersic, & Galesic, 2008; Vinokur & Schul, 2002; Wanberg, Glomb, Song, & Sorenson, 2005; Wanberg, Hough, & Song, 2002). In this study, we use general job search theories (e.g., Gorter & Kalb, 1996; Gorter, Nijkamp, & Rietveld, 1993) to differentiate between several determinants of reemployment. As such, we distinguish job search behavior, wage demands, attitudinal and personal variables. By studying differences between age groups, we answer the call made by scholars who point to the negligence of this important topic in job search research (e.g., De Coen, 2012; Posthuma & Campion, 2009).

In addition, we investigate whether differences in these variables can help explain differences in reemployment chances between people aged fifty and over and people aged between 18 and 49. Indeed, besides gaining insight into which variables explain the difference in reemployment opportunities between younger and older unemployed based on job search theories, we are also interested in the relative importance of each of the suggested variables. Clarifying this will help to work out specific policy measures aimed at

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improving the reemployment opportunities for older unemployed and as such their employment rates. This is a second aim of this paper. To quantify the contribution made by the characteristics (such as job search behavior, and wage demands) suggested by the job search theories, we chose to draw on *decomposition* analysis. A decomposition analysis is a technique that mainly has been used to help explain differences in wages and promotions between men and women (e.g., Oaxaca, 1973; Fortin, Lemieux, & Firpo, 2011). It has provided valuable insights in this context. Until now, this methodology has not been used in analyses with respect to job finding rates of unemployed jobseekers. However, we demonstrate that this technique is highly suited for obtaining a better understanding of the specific differences in reemployment opportunities between subpopulations of the unemployed. Moreover, the original decomposition technique uses an OLS linear model to estimate the contributions each variable makes in explaining differences. We show that it is also possible to use a Structural Equation Modeling (SEM) model, which takes into account more complex pathways and indirect effects between the variables under study. Hence, by expanding this technique to a SEM model, we show how to account for underlying relationships between variables as is typically modeled in job search research (e.g., Côté, Saks, & Zikic, 2006; Crossley & Stanton, 2005; Saks & Ashforth, 2002; Van Hooft, Born, Taris, Van Der Flier, & Blonk, 2004; Vansteenkiste, Verbruggen, & Sels, 2013; Zikic & Klehe, 2006).

2. Determinants for reintegrating the unemployed

In job search theories of unemployment, looking for a job is a sequential process in which the probability of finding a job is modeled as the product of being offered a job and the probability of accepting the offer (Mortensen, 1986; Faggian, 2014). Some search theorists further split up the arrival process of job offers (e.g., Gorter et al., 1993) so that reemployment is modeled as the successful sequence of three necessary steps: (1) a job vacancy must be discovered by the job seeker, (2) the job seeker must be willing to apply for the job, and (3) lastly, the employer must also be prepared to hire the job candidate. Each of these steps interacts in different ways with the job seeker's age and other personal characteristics.

To be able to find a new job, an unemployed person must first be aware of potential vacancies (step 1). It is the only way in which the unemployed person can obtain adequate information to compare potential job opportunities and decide which jobs to apply for. Searching for, collecting information about, and actively responding to vacancies are necessary conditions for re-employment. In this context, the literature related to job search behavior mainly focuses on the intensity of the job search (Kanfer et al., 2001; Saks, 2005; Van Hooft, Wanberg, & van Hove, 2012). The intensity of the job search is the frequency with which a job seeker performs certain job search activities during a specific period (Blau, 1994). These job search activities include tasks such as reading job advertisements in newspapers, specialist publications or on the internet, approaching previous employers and so on. Job search research has repeatedly shown that a higher job search intensity among unemployed persons leads to a higher reemployment (Kanfer et al., 2001; Saks, 2005; Wanberg et al., 2015). Therefore we take job search intensity as determinant for reemployment. Moreover, as previous research suggests that older unemployed people approach their job search activities less intensively (Kanfer et al., 2001; Klehe et al., 2012), we hypothesize:

Hypothesis 1. The lower job search intensity of people aged 50 and over explains part of their lower reemployment opportunities.

It goes without saying that identifying job vacancies is not a sufficient condition for re-employment. The job seeker must also be willing to apply for a job (step 2). Several factors determine this willingness.

First and foremost, a great deal of literature demonstrates that the wage level offered for a new job is a major 'deal breaker' (Boswell, Roehling, LePine, & Moynihan, 2003; Osborn, 1990). More specifically, the reservation wage plays a role; this is the minimum wage that a job seeker must be offered before he or she is willing to accept the job offer (Prasad, 2003). Research connecting reservation wages and age is scarce (De Coen, 2012). Still, it seems to suggest that older people impose a higher reservation wage (Addison, Centeno, & Portugal, 2004; Christensen, 2001; Walker, 2003; Klehe et al., 2012) which could be due to payment-systems and tenure-related entitlements, among others. For instance, the use of seniority wages could create the impression that one has to earn more with increasing age, resulting in a higher reservation wage of older unemployed job seekers.

Hypothesis 2a. The higher wage demands of people aged 50 and over explain part of their lower reemployment opportunities.

Second, the commuting distance also plays a prominent role in the decision to accept a job or not (Boswell et al., 2003; Konrad, Edgar, Lieb, & Corrigan, 2000; Turban, Forret, & Hendrickson, 1998) and can as such be an important determinant in the reemployment process. The majority of research reports that older workers are less willing to travel for long periods resulting in a decreasing actual commuting time as people age (Brännäs & Laitila, 1992; Rouwendal & Rietveld, 1994; So, Orazem, & Otto, 2001; Turner & Niemeier, 1997), which can be explained by their increased preference for leisure time (e.g., Kooij, de Lange, Jansen, & Dijkers, 2008; Gauthier & Smeeding, 2003; Higgs, Mein, Ferrie, Hyde, & Nazroo, 2003).

Hypothesis 2b. The lower commuting willingness of people aged 50 and over explains part of their lower reemployment opportunities.

Third, the commitment to work influences the willingness to accept work. If job seekers find work important or if it is a key element in their lives, they will be more willing to accept a job (e.g., Wanberg, Kanfer, & Rotundo, 1999). Research shows that older people are less committed to work as they are approaching their retirement age. As people age, they put more value on leisure time and prefer to spend more time on hobbies and family (e.g., Kooij et al., 2008; Higgs et al., 2003; Gauthier & Smeeding, 2003). Indeed, older unemployed may think more of their time left and try to spend it with their family, especially when their partner is also at retiring age (Gauthier & Smeeding, 2003; Pienta, 2003). In addition, research also suggests that older people may experience a lower need to work

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