An Explorative Study of Age Discrimination in IT Wages

Jing Quan, Salisbury University, USA
Ronald Dattero, Missouri State University, USA
Stuart D. Galup, Florida Atlantic University, USA

ABSTRACT

The Equal Employment Opportunity Commission of the United States of America reported in 2002 that age discrimination was its fastest-growing complaint. In this article, we examine the treatment of information technology professionals, using the Human Capital Model. The model results suggest that age treatment discrimination exists, but varies, across industries and job functions. We present explorative theories to explain why such variations exist, and draw managerial implications based on the results.

Keywords: ageing; age discrimination; information technology wages; human capital model

INTRODUCTION

In a tough economic environment, managers are often forced to reduce employment and older workers are often the easy targets. Accordingly, discriminating practices based on age are more widespread than ever. Specifically, the Equal Employment Opportunity Commission of the U.S. reported in February, 2002 that age discrimination was the fastest growing type of employment complaint in the U.S. The age discrimination lawsuit brought by a 54-year former employee against Google just before its highly publicized initial public offering (IPO) highlights the issue (USA Today, http://www.usatoday.com/tech/news/2004-07-23-google-age-discrim_x.htm). Further, older workers say they get little encouragement from their firms to keep working, and have been denied promotion opportunities (Conference Board, 2003).

By no means is age discrimination found only in the U.S. In fact, managers in other parts of the world seem more candid about admitting that they engage in discriminatory practices. For example, a recent survey in the United Kingdom revealed that as many as six out of ten employers prefer not to recruit staff beyond the age of 35, and that up to 40% of companies admit to practicing ageism (OECD, 2002). Further, older workers are often discriminated against in the recruitment processes through the implicit or explicit use of age limits in specific occupations.

Like other forms of discrimination, age discrimination is classified as either access or treatment (Levitin, Quinn, & Staines, 1971).
Access discrimination occurs when members of a certain age are not hired into certain jobs because of policies and procedures (written or unwritten) that bar their recruitment. Treatment discrimination, on the other hand, occurs when qualified members of a certain age group (usually older workers) receive lower salaries, lower status, or lower positions than comparable members of a different age group. It represents a situation in which the treatment of employees is based more on their subgroup membership than on their merit or achievements (Greenhaus, Parasuraman, & Wormley, 1990; Moyes, Williams, & Quigley, 2000).

This article investigates age treatment discrimination exemplified in the Information Technology (IT) workforce. The primary reason for focusing on the IT workforce is that the IT industry is one of the most important and dynamic sectors in the economy. We provide an exploratory assessment using salary differences between younger and older groups while controlling for experience and education.

The article is organized as follows. We begin with a review of the relevant literature on age discrimination. Then, we review the methodology used, which is based on the economic theory of human capital. After this, we address treatment age discrimination in the following order: (1) we briefly discuss the nature of the online survey, (2) we fit the human capital model to our entire survey data set and discuss the results, and (3) we fit the human capital model and discuss the results for specific industries and job types. The article concludes with managerial implications.

AGE DISCRIMINATION

According to the United Nations, ageing is increasingly becoming one of the most salient social, economic, and demographic phenomena of our times. It is estimated that by 2050, the number of people over 60 in Europe will have doubled to 40% of the total population, or 60% of the working age population (Toyne, 2002). The 2000 U.S. Census shows that less than 10% of citizens were 55 years old or older in the early 1900s, and now the figure stands at 21%.

Negative stereotypes of older employees have existed for years. For example, many assume that as an employee ages, their productivity declines. Such assumptions have been used to justify age limitations on hiring, mass dismissals of middle-aged employees, and mandatory retirement of older employees. Negative perceptions of ageing are expressed in these six common stereotypes (Gregory, 2001):

1. Older employees are stubborn, inflexible, resistant to change, and less likely to accept new technology.
2. Older employees are less productive than younger employees.
3. Older employees are less adaptable, and, as they are slow learners, they find it more difficult to retain new skills.
4. The cost of employee benefits for the older employees is greater than those for the younger employees.
5. Older employees are eager to retire at the earliest opportunity. They have an eye to retirement and merely want to ride out what remains of their careers.
6. Because their remaining tenure with the company will probably be short, it is economically unreasonable to invest in training older employees in new technologies and processes.

Further, negative perceptions may actually lower management’s expectations of older employees, thus adversely affecting employee motivation. If older employees are perceived to be inflexible and less productive, and younger employees are perceived as fresh, eager, highly motivated, and trainable, the stereotype may become self-fulfilling. Stereotypical thinking creates vicious cycles that culminate in the perpetuation of age stereotypes (Gregory, 2001). Age and experience, which elsewhere gets people promoted, are no help in the Silicon Valley; on the contrary, there is a distinct bias in favor of youth (Economist, 1997). For example, a Computerworld study of Information Technology Professionals (ITP) age 30 and older reported that it took them 50% longer
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