

Chapter 21

Impact of Age on Information Technology Salaries

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ABSTRACT

The Equal Employment Opportunity Commission of the United States of America reported in 2002 that age discrimination was its fastest-growing complaint. This chapter examines 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. The authors present explorative theories to explain why such variations exist and draw managerial implications based on the results.

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 is more widespread than ever (Lucas & Keegan, 2008). Specifically, the Equal Employment Opportunity Commission (EEOC) of the United States of America (U.S.A) reported in Fiscal Year 2008, that the EEOC received 24,582 charges of age discrimination, which represents an increase of almost 74% over 1999. The EEOC resolved

21,415 age discrimination charges in FY 2008 and recovered \$82.8 million in monetary benefits for charging parties and other aggrieved individuals (not including monetary benefits obtained through litigation). A March 11, 2009 Wall Street Journal article (Levitz and Shishkin, 2009) shows that overall employment discrimination complaints are also at a record high -- up 15% to 95,402 complaints -- the most dramatic increase was in the age-related complaints, the EEOC said. In the case of the Lawrence Livermore National Laboratory in Livermore, Calif., where in recent weeks at least 98 laid-off employees have filed complaints with that state's Department of Fair Employment and Housing and the EEOC, alleging that they were

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targeted in a mass layoff because of their age. (Levitz and Shishkin, 2009)

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, 2004).

The state appeals court in California has reinstated an age-discrimination lawsuit against Google Inc. that was brought by a former technology manager who claimed Google fired him because he was not a “cultural fit.” (Rosencrance, 2007). Further, older workers say they get little encouragement from their firms to keep working and have been denied promotion opportunities (The Conference Board, 2003).

By no means is age discrimination found only in the U.S.A. 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 per cent 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 (Levitz, Quinn, and 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, and Wormley, 1990; Moyes Williams, and Quigley, 2000). It is difficult to obtain first hand data to

prove access discrimination because recruiters are unlikely to openly admit that their hiring decision was based considerably on age (Gregory, 2001). Unlike proving access discrimination, it is easier to prove treatment discrimination because of the availability of salary, job qualification (such as experience and degree), and job performance (such as personnel evaluations) data.

This paper investigates age treatment discrimination exemplified in the Information Technology (IT) workforce. The reasons for focusing on the IT workforce are twofold. First, the IT industry is one of the most important and dynamic sectors in the economy. Second, it is due to data availability. We provide an exploratory assessment using salary differences between younger and older groups while controlling for experience and education. The data used for our analysis is from an on-line employment survey at Dice Incorporated (www.dice.com).

The paper 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 on-line 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 paper ends with our managerial implications and conclusions.

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 per cent of the total population or 60 per cent of the working age population (Toyne, 2002). In

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